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TODAY: MONEY

## Recession Fears Deepen in Japan Amid Fewer Jobs And a Sliding Yen

By Sheryl WuDunn  
New York Times Service

TOKYO — Japan's economic distress deepened Friday as unemployment jumped to another record high, bond yields tumbled to new lows and the currency hit a seven-year floor on fears that regional instability could send the world's second largest economy into a tailspin.

Koji Omi, chief of the Economic Planning Agency and the nation's top economic policymaker, acknowledged Friday that the economic troubles were becoming increasingly severe, particularly in employment and production. The government said that Japan's jobless rate for males in April was 4.2 percent, and that for every 100 applicants there were only 55 jobs, the lowest number in two decades.

The yen slid, as traders turned to the dollar for safety after Pakistan conducted nuclear tests on Thursday, and it slipped further after the government said unemployment had hit 4.1 percent in April, up from 3.9 percent in March.

The dollar was quoted in late New York trading on Friday at 138.85 yen, compared to a rate of 115.86 yen a year ago.

Outside Japan, officials have been deeply worried that a sharp recession here could aggravate the Asian financial crisis, ripple around the world and knock the global economy off its tracks.

Concern also is mounting that Japanese government officials have few tools left to revive the recessionary economy and that they have not yet had a serious discussion on formulating economic policy. The country's central bank, the Bank of Japan, has already been pursuing an easy monetary policy and its official discount rate is at half a percent, leaving little room for the bank to drop rates again to help fuel growth.

"It's quite scary," said Andrew Shipley, an economist at Schroders Japan Ltd. Referring to the Bank of Japan, he added, "Japan's economy is sliding into recession without the BOJ able to cushion the blow."

Indeed, rather than discussing lowering rates, a top central bank official appeared in Parliament Friday to defend the current rates and assure politicians, who are fretting about the low rates on savings, that the official discount rate will be raised as soon as the economy gets back on a sustainable track.

With the dollar surging to 139 yen, some economists are worried about further drops for the yen. If the currency continues to slide, the risk escalates that its softening will trigger a round of competitive devaluation.

See JAPAN, Page 15



A child during prayers in a mosque Friday as Pakistanis rallied behind the nuclear tests.

## Cold War Specter Haunts India Jubilation Vanishes, and Some Fear an Arms Race

By Kenneth J. Cooper  
and John Ward Anderson  
Washington Post Service

India's leaders promised their citizens that any new "Cold War" with Pakistan would not be like the one between the United States and the former Soviet Union. But so far, it is hard to see much difference.

They said there would be no arms race with spiraling costs and escalating tensions after India this month blasted its way to self-proclaimed status as a nuclear power. A nuclear arsenal in the hands of a developing nation that Prime Minister Atal Bihari Vajpayee described as "dedicated to peace" would instead prevent war through deterrence, just like during the Cold War between the United States and former Soviet Union.

But the first nuclear tests ever conducted by Pakistan, which came Thursday, shattered whatever illusions that Mr. Vajpayee and his coalition government may have entertained about India being exempted from the dangers of nuclear arms.

Mr. Vajpayee and other government leaders said afterward they had expected Pakistan to conduct its own nuclear tests, but just days before, members of his Hindu nationalist Bharatiya Janata Party had been crowing that maybe the Islamic Republic of Pakistan could not muster the necessary technology or would be bought off by a generous aid package from the Clinton administration.

Not only did Pakistan claim to have matched India's five tests, Prime Minister Nawaz Sharif

went a few steps further toward the brink of nuclear disaster. Mr. Sharif's government announced, then Friday denied, that nuclear warheads would be put on Pakistan's Ghauri missile, while India has avoided saying when or how the nation would assemble weapons.

Rather than pledge, as India has, not to use nuclear weapons first, Pakistan issued an unambiguous threat to inflict a first strike if India dared launch a military attack on its smaller neighbor. And instead of following India in declaring a moratorium on further testing, Pakistan appeared to be preparing to detonate additional devices.

Suddenly, jubilation disappeared among members of India's educated elite, who cheered its nuclear tests as a bold expression of national pride. A Western diplomat reported that fear had replaced glee in the eyes of Indian co-workers. A filmmaker who only a few days ago had delighted in bashing the United States as hypocritical and boasting of her country's assertion of its global impact had not a word to say when asked about Pakistan's tests.

Opposition members of Parliament, previously hesitant to criticize a politically popular move, now have turned to accusing Mr. Vajpayee's government of precipitating an ominous arms race that it had promised to avoid.

"India shall not engage in an arms race," the government declared Wednesday in a policy statement to Parliament. "India shall also not subscribe or reinvent the doctrines of the Cold War."

See COLD WAR, Page 4

## Major Powers Discuss A Carrot for Test Ban

### They May Offer Security Guarantees If India and Pakistan Accept Treaty

By Jim Hoagland  
Washington Post Service

PARIS — The United States, France, Britain and other major powers have begun discussions on holding one or more international conferences to get India and Pakistan to renounce further nuclear testing in return for security guarantees and help from the industrial world in developing civilian nuclear power centers.

The thrust of the summit diplomacy now under discussion would be to shift the emphasis from the economic sanctions and condemnation that the tests have provoked to providing India and Pakistan with material incentives and a new status in international councils if they are willing to join bans on testing and the manufacture of plutonium and highly enriched uranium.

The seven or eight powers with the capability to do something should meet among themselves first to discuss what we can do to persuade India and Pakistan to sign the Comprehensive Test Ban Treaty and to join the negotiations in the Conference on Disarmament on the cutoff of the manufacture of fissionable material.

President Jacques Chirac of France said here at Elysée Palace.

"Then India and Pakistan could join the talks without fearing they would be humiliated, as they fear now, and we could all work together to save the Non-Proliferation Treaty, which must be saved," Mr. Chirac said in an interview that provided a window on the intensive diplomacy that has followed India's surprise nuclear testing in mid-May and Pakistan's retaliatory testing this week.

Mr. Chirac appeared to have the United States, France, Britain, Russia and China — the five permanent members of the United Nations Security Council, all of which possess military nuclear arsenals — and Japan and Germany, as major economic powers, in mind as the interlocutors with India and Pakistan in a summit conference.

[In Washington, a U.S. spokesman said that foreign ministers of the five permanent members planned to meet

next week to seek ways of easing the threat, Reuters reported. "The purposes of this initial session would be to develop a coordinated common approach to this grave situation," said the State Department spokesman, James Rubin.]

Similar proposals to Mr. Chirac's were discussed in Luxembourg on Thursday by the U.S. secretary of state, Madeleine Albright, and her French, German and British counterparts on the margins of a NATO conference, according to diplomatic sources.

Britain, meanwhile, was reported to be organizing a meeting of the foreign ministers of the Group of Eight industrial powers to discuss similar measures.

Quoting Prime Minister Ryutaro Hashimoto, Japan's Jiji Press news agency said the meeting would be held in Britain on June 10.

See DIPLOMACY, Page 4

## Pakistanis Already Feel Economic Fallout of Tests

By John Ward Anderson  
and Kamran Khan  
Washington Post Service

ISLAMABAD, Pakistan — Businessmen, bankers and investors criticized the Pakistan government's decision on Friday to limit access to their foreign currency accounts in the wake of tests of nuclear devices and the pressure put on the country's economy by international sanctions.

The United States imposed sanctions, and other countries are considering cutting off loans and grants and curbing trade, after Pakistan answered the nuclear bomb explosions two weeks ago by its archrival, India, with underground tests of its own Thursday, setting off a dangerous new arms race in South Asia.

Many analysts have predicted that the sanctions could force Pakistan to default on its \$50 billion debt, about \$32 billion of which is owed to foreign lenders. In response, Islamabad announced a four-month state of emergency early Friday and froze about \$9 billion in foreign currency that is held in private accounts in Pakistan's banking system.

Owners of the accounts have access to the money, but only if they withdraw

the funds in Pakistani rupees at a government-set dollar rate of 46 rupees.

"It appears the government has basically decided to abandon its drive to turn Pakistan into a truly free market economy," said the head of an international bank in Pakistan. "The measures taken on security and the economy in the last 24 hours shatter the prospects for any meaningful local and foreign investments in the country."

The government refused Friday to provide additional details about the explosions at the Chagai Hills test site in western Pakistan. Relatively moderate seismic readings taken outside the country have raised doubts about the size and number of nuclear devices, with some skeptics suggesting that Islamabad claimed five successful tests just to match the number of tests by New Delhi.

U.S. satellite images indicate that other test holes have been drilled and readied for additional explosions, intelligence sources said. Islamabad has refused to rule out the possibility of more tests.

Asia's nuclear breakout aims at prestige, U.S. doubts Pakistanis staged five tests, Israel fears proliferation in the region. Page 5

See INDONESIA, Page 15

See PAKISTAN, Page 4

## Barry Goldwater Is Dead; Outspoken Conservative Lost '64 Presidential Bid

By Bart Barnes  
Washington Post Service

WASHINGTON — Barry Goldwater, a five-term Arizona senator and a champion of conservatism whose presidential candidacy in 1964 launched a conservative revolution in the Republican Party, died Friday at his home in Paradise Valley, a suburb of Phoenix, of natural causes. He was 89 years old.

Mr. Goldwater, who retired from the Senate in 1966 as one of his party's most respected elder statesmen, suffered a resounding defeat when he ran for president. But his efforts helped prepare the way for the election of another conservative Republican, Ronald Reagan, as president in 1980.

The Arizona carried only six states and 36 percent of the popular vote in 1964.

After the election, most analysts and commentators concluded that the Republican Party was hopelessly divided and that Mr. Goldwater and his conservative philosophy were all but politically dead. But in fact, he had wrested control of the party from the Eastern liberal wing that had dominated it for years.

By 1980, he was acknowledged as the founder of a conservative movement that had become a vital element in mainstream Republican thinking and a major ingredient in Mr. Reagan's political ascendancy. It was a 1964 speech delivered on behalf of Mr. Goldwater that brought Mr. Reagan to national prominence and helped launch his political career.

During his 1964 presidential campaign, Mr. Goldwater was attacked by Democrats and opponents in his party as a demagogue and a leader of right-wing extremists and racists who was all but



Barry Goldwater in 1995.

certain to lead the United States into nuclear war, eliminate civil-rights progress and destroy social welfare programs, like Social Security. But that perception melted with time.

Mr. Goldwater served three more terms in the Senate after his 1964 defeat, and long before his retirement he had come to be regarded as the Grand Old Man of the Republican Party and one of

See GOLDWATER, Page 4

## AGENDA

### Clinton Appeals For Kosovo Talks

President Bill Clinton on Friday urged Ibrahim Rugova, the ethnic Albanian leader in Kosovo, to continue peace talks with Serbia to prevent a repeat of the war in Bosnia.

Kosovo "is a flash point in the Balkans every bit as tender — if not more so — as Bosnia," Michael McCurry, Mr. Clinton's spokesman, said as Mr. Clinton and Mr. Rugova met at the White House.

Veton Surroi, a close aide to Mr. Rugova, said Kosovo was on the brink of war. "We consider the situation in Kosovo as extremely dangerous. These are the first stages of war," he said. "War must be stopped." Page 2.

The Dollar  
New York Friday 4 P.M. previous close  
DM 1.788 1.781  
Pound 1.6302 1.628  
Yen 138.85 138.75  
FF 5.99 5.971

The Dow  
Friday close previous close  
-70.25 8899.95 8970.20  
S&P 500  
change Friday 4 P.M. previous close  
-5.77 1090.92 1097.59

Books Page 8  
Crossword Page 5  
Opinion Page 6  
Sports Pages 20-21  
The Internet Page 10  
The IHT on-line www.ih.com

## Jakarta Easing the Grip Of Suharto on Business

By Seth Mydans  
New York Times Service

JAKARTA — Cracks spread through the financial empire of former President Suharto on Friday as two of his relatives gave up their positions at the head of one of the country's largest conglomerates and the government announced measures to curb the economic favoritism that had allowed the Suharto family to amass billions of dollars.

As the former president rested at his Jakarta home, according to his half-brother, a groundswell grew for the return of the fortune of up to \$40 billion that he and his six powerful children are believed to have siphoned from their country's economy.

Newly liberated newspapers competed to display ever bolder headlines about the "Suharto trillions" — in Indonesian rupiah — and street vendors passed out photocopies of lists of the Suharto holdings, complete with mug shots of family members.

Under heavy public pressure, Mr. Suharto's second son, Bambang Trihatmodjo, resigned Friday as president-director of the Bimantara Citra conglomerate, one of the country's largest companies, which he founded and has headed since 1981. He and a Suharto son-in-law quit the board of directors.

Outside the company headquarters, about 20 demonstrators sang and chanted. "The Suharto family wealth belongs to the people of Indonesia," said the leader of the demonstration.

Sulaiman Hakal. "Give it back now." But there is still a very long way to go to recover the vast family wealth — even at the Bimantara corporation. Despite the public retreat, Mr. Bambang and his brother-in-law, Indra Rukmana, remain its largest shareholders, controlling together 52 percent of the company.

The government is still packed with wealthy Suharto cronies, including the new president, B.J. Habibie, who under Mr. Suharto's protection became one of the country's leading businessmen, enriching his family along the way.

But a wave of reform is sweeping Indonesia, and government ministers are responding. Education Minister Juwono Sudarsono said he would allow students to form independent campus organizations.

Information Minister Yunus Yefiah hinted that newspapers and magazines banned under Mr. Suharto's regime would be allowed to reopen. New parties and political groupings were forming unhindered. Government opponents were having their say unhindered on television.

Moving to dismantle the Suharto family's economic grip, the chief economics minister, Ginandjar Kartasmita, himself an appointee of Mr. Suharto, announced on Friday a series of steps aimed at the kind of manipulation that produced huge profits for the former president's relatives and friends.

See INDONESIA, Page 15

## So, Argentina, Start at the Beginning...

By Clifford Krauss  
New York Times Service

BUENOS AIRES — When rush-hour traffic gets him down, Andres Cornejo pulls his taxicab over to the curb and opens his trunk to his collection of Sigmund Freud. His frustrations quickly melt away, he said, as he reads Freud's theories on dreams and the development of the infantile libido.

Like many Argentines, Mr. Cornejo, 38, has been through years of psychotherapy. He said he had had serious relationships with two psychologists, is in love with a third and is seriously considering going back to school to become a psychologist himself.

"I don't know if I am in love with

psychoanalysis, or just with psychologists," Mr. Cornejo said with a laugh. Either way, his overriding interest — is as thoroughly Argentine as the tango.

There are more psychologists in Argentina per capita — 111 for every 100,000 inhabitants — than in any country in the world except Uruguay, Argentina's small neighbor. New York and Buenos Aires are neck-and-neck for the distinction of being the city with the most psychotherapists, including psychologists and psychiatrists, overall.

The number of Argentine psychologists is growing, from 5,500 in 1974, to 20,100 in 1985, to an estimated 37,000 today. There are also more than 2,500 psychoanalysts

with medical degrees in Argentina. "Argentines are passionate about understanding themselves and making their lives better and happier through self-knowledge," said Lucia Martino de Paschero, president of the Argentine Psychoanalytic Association.

The numbers tell only part of the story because it is hard to count the ways Argentines express their abiding interest in analyzing their ego and psyche.

Television and radio talk shows featuring psychologists fill the airwaves with daily psychobabble. Pagina 12, a leading Buenos Aires newspaper, devotes two pages of coverage to psychological matters every Thursday. A

See ARGENTINA, Page 4

Newsstand Prices

Andorra	10.00 FF	Lebanon	LL 3.000
Antilles	12.50 FF	Morocco	18 Dh
Cameron	1.800 CFA	Catal	10.00 CFI
Egypt	EE 5.50	Reunion	12.50 FF
France	10.00 FF	Saudi Arabia	10 SR
Gabon	1.100 CFA	Senegal	1.100 CFA
Italy	2.800 Lire	Spain	225 Ptas
Ivory Coast	1.250 CFA	Tunisia	1.250 Dh
Jordan	1.250 JD	U.A.E.	10.00 Dh
Kuwait	700 Fils	U.S. M.L. (Eur)	\$1.20









## Starr Goes Straight to Top

### He Asks High Court to Settle Fight With Clinton

By Peter Baker  
Washington Post Staff Writer

WASHINGTON — The independent counsel Kenneth Starr has asked the Supreme Court to intervene on an emergency basis to settle his fight with President Bill Clinton over executive privilege, adopting the same legal tactic and reasoning that Watergate prosecutors did in similar circumstances 25 years ago.

In a maneuver successfully employed only a handful of times in U.S. history, Mr. Starr asked the justices to bypass the appeals court and take the case directly from the district court, which has ruled that Mr. Clinton cannot use the privilege to shield top aides from testifying in the Monica Lewinsky investigation.

Under the accelerated timetable Mr. Starr suggested, the high court would hear oral arguments on June 29. "This case is of high moment," Mr. Starr wrote to justify his request in the petition on Thursday. "It is strongly in the nation's interest that the case be resolved quickly so that the grand jury's investigation can move forward at the earliest practicable date."

The White House declined to comment on Mr. Starr's petition. "We have just been served with the papers and we have not yet had a chance to fully review them," said a spokesman, James Kennedy. "The executive privilege petition heralded a constitutional battle as the Supreme Court was asked to address the murky limits of presidential

secretary for only the second time. Throughout his 14-page filing, Mr. Starr patterned his argument and even his proposed timetable after those used by the special prosecutor Leon Jaworski in persuading the Supreme Court in 1974 to order Richard Nixon to turn over the secret Oval Office tapes that forced him out of office.

"As with Nixon," Mr. Starr wrote, "this case is exceedingly important."

He added, "This litigation involves fundamental constitutional issues arising out of the doctrine of separation of powers."

Under the compressed schedule requested by Mr. Starr, the White House would have until Tuesday to respond to the request for certiorari. If the court then agrees to hear the case, Mr. Starr asked the justices to set a June 15 deadline for both sides to file briefs simultaneously and then June 22 for each to respond to the other. Arguments would be held on June 29.

Leapfrogging a case past an appeals court on such an expedited schedule is almost never done. In his petition, Mr. Starr cited only five times the Supreme Court has agreed to do so, dating to 1947: in addition to U.S. v. Nixon, the other cases involved such issues as steel and mine strikes, and the question of Iranian assets during the Tehran hostage crisis.

The court usually holds oral arguments from October to April and rarely schedules a case even for May or early

June. But it has already made one exception this term for Mr. Starr — agreeing to expedite a dispute over attorney-client privilege related to conversations the late White House deputy counsel Vincent Foster Jr. had with his lawyer before Mr. Foster's suicide.

Oral arguments are scheduled for June 8 on whether the attorney-client privilege dissolves when a client dies.

The tight schedule tracks that used in 1974, when Mr. Jaworski petitioned the Supreme Court on May 24, oral arguments were held on July 8 and the unanimous 8-to-0 decision against Mr. Nixon was returned on July 24. With the tapes documenting his involvement in the Watergate cover-up, Mr. Nixon resigned two weeks later.

In that case, the court established that a president does have a right to keep his internal White House communications confidential, but that except for national security matters, his interest must be balanced against prosecutors' need for evidence.

Applying that test, Norma Holloway Johnson, the chief judge of the U.S. District Court, decided May 4 that the White House deputy counsel, Bruce Lindsey, and a communications adviser, Sidney Blumenthal, must answer Mr. Starr's questions in the Lewinsky matter.

Her ruling, made public Wednesday, also rejected Mr. Clinton's claim of attorney-client privilege in Mr. Lindsey's case.

## Hubble Image: A Possible Extrasolar Planet

By Curt Supplee  
Washington Post Staff Writer

WASHINGTON — The Hubble Space Telescope has captured what may be the first image ever recorded of a planet outside our solar system. Scientists said Thursday that the object appears to be a "gas giant" like Jupiter, but about three times as massive, that was hurled away from its young parent stars in a busy stellar nursery 450 light years from Earth.

If it is in fact a planet, and several experts agree the odds are less than one in 50 that it is not, then "this image is not merely extraordinary, but of historical significance," said Alan Boss of the Carnegie Institution of Washington.

Edward Weiler, director of the National Aeronautics and Space Administration's Origins Program, said: "I've been waiting a long time for this day." Mr. Weiler said people have always wondered whether there were planets created around stars other than our own, but "until

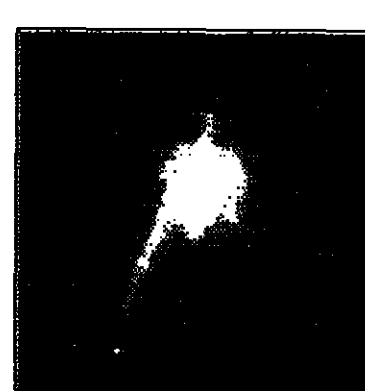
five years ago, we had absolutely no reason to say yes."

Since then, there has been indirect evidence for as many as eight such "extrasolar" planets, based on the way they affected the motion of their neighboring stars. "Still, there was no image — until, perhaps, today," Mr. Weiler said.

If confirmed by observations at the Keck observatories in Hawaii and elsewhere, the new find "absolutely" increases the likelihood that there are other planets "like Earth with atmospheres like Earth's that can support life," Mr. Weiler added.

Gas giants such as Jupiter and Saturn cannot host life forms as we know them. But many astronomers believe the mere presence of such planets, and their gravitational effects, makes it more likely that solid, terrestrial planets will form in the same system, just as they did around the Sun.

That's why the new image is "a landmark in our quest to understand



The possible planet, at lower left.

our origins," said Stephen Strom of the University of Massachusetts at Amherst.

The putative planet was discovered accidentally by a team headed by Susan Terebey of Extrasolar Research Corp. in Pasadena, California. In August, she and researchers from the Jet Propulsion Laboratory were studying a small

area of the sky in the direction of the constellation Taurus, where young stars are being created.

The region is so dense with cosmic dust that almost no visible light gets out, so the scientists were using a special instrument called the Near-Infrared Camera aboard Hubble, which is orbiting 375 miles (600 kilometers) above Earth.

A few months later the data were ready for analysis, and Ms. Terebey focused on one spot where two so-called binary stars, each the mass of the Sun, are revolving around each other. Very near the binary pair, there was a highly unusual filament-shaped structure of glowing gas that seemed to be "a tunnel through space," Ms. Terebey said. "Essentially like a light pipe."

At the end of it was a mysterious bright blob that appeared too small to be a star. "It took a while to figure out what it was," she said. "I wasn't thinking planets at all."

## Detroit's 'Miracle' Warms the Earth

### Side Effect of Catalytic Converters

By Matthew L. Wald  
New York Times Staff Writer

WASHINGTON — The catalytic converter, an invention that has sharply reduced smog from cars, has now become a significant and growing cause of global warming, according to the Environmental Protection Agency. Hailed as a miracle by Detroit automakers even today, catalytic converters have been reducing smog for 20 years. The converters break down compounds of nitrogen and oxygen from car exhaust that can combine with hydrocarbons, also from cars, and be cooked by sunlight into smog.

But researchers have suspected for years that the converters sometimes rearrange the nitrogen-oxygen compounds to form nitrous oxide, known as laughing gas. And nitrous oxide is a potent greenhouse gas, more than 300 times more potent than carbon dioxide, the most common of the gases that warm the atmosphere, according to experts.

This spring, the environmental agency published a study estimating that nitrous oxide now comprises about 7.2 percent of the gases that cause global warming. Cars and trucks, most fitted with catalytic converters, produce nearly half of that nitrous oxide, the study said. (Other sources of nitrous oxide include everything from nitrogen-based fertilizer to manure from farm animals.)

The study also showed that nitrous oxide is one of a few gases for which emissions are increasing rapidly. Collectively known as greenhouse gases, they trap heat in the Earth's atmosphere.

The increase in nitrous oxide, the study notes, stems from the growth in the number of miles traveled by cars that have catalytic converters. And the problem has worsened as improvements in catalytic converters have conversely produced more nitrous oxide.

Wylie Barbour, an Environmental Protection Agency official who worked on the recently published inventory, said that the problem created by the converter is classic. "You've got people trying to solve one problem, and as is not uncommon, they've created another."

Nitrous oxide, or N<sub>2</sub>O, is not regulated because the Clean Air Act was written in 1970 to control smog, not global warming. And no regulations exist to control gases

that are believed to cause global warming.

The United States and the other industrialized nations agreed in Kyoto, Japan, last December to lower emissions of greenhouse gases to 5 percent below 1990 levels over the next 10 to 15 years, but the agreement has not been approved by the Senate, and no implementing rules have been written.

The environment agency has not proposed a solution at this point, and is seeking public comment on its study. Auto industry experts say they could solve the problem by tinkering with the catalytic converter, but some environmentalists suggest that the growing production of nitrous oxide is yet another reason to move away from gasoline-powered cars.

The agency's study estimated that nitrous oxide may represent about one-sixth of the global warming effect that results from gasoline use.

## California Media Blitz

LOS ANGELES — In the final days of the California governor's race, the airwaves of the state's major media markets are being saturated with a barrage of political advertisements — hundreds a day, thousands a week — that is breaking all records for money spent and time bought.

From "Good Morning, America" to the "Late Late Show" — and every "Jenny Jones" and "Jerry Springer" in between — what matters is less a candidate's talking points but his or her "gross rating points," the television industry's shorthand accounting of an ad's likely market "penetration."

The one Republican and three Democratic candidates are buying an astounding 527 spots every day in the state's five major media markets — or 3,690 ads a week. Al Checchi, in his first run for a public office in the June 2 primary, is selling himself on 217 spots a day across the state. The millionaire businessman is running some 60 spots a day in Los Angeles alone, the most expensive and largest media market outside of New York, which could cost Mr. Checchi, who is financing his campaign with his own money, an estimated \$240,000. (WP)

## A Junket With Panache

WASHINGTON — Check your calendars. Rooms have been tentatively reserved

this summer at two fine hotels in Paris — the Scribe and the Intercontinental, not the best but, hey, it's World Cup time — for House Appropriations Committee members, spouses and staff. But the hotels will only hold the rooms until Tuesday without some guaranteed payment.

No visit to Bosnia or sweltering African refugee camps, this is a civilized jaunt, June 30 to July 11, to Belgium, England, France, Italy, Portugal and Spain. In a May 21 letter to Defense Secretary William Cohen, Bob Livingston, the committee's chairman, said he had authorized Jerry Lewis, who heads the subcommittee on veterans affairs, housing and urban development and independent agencies, to lead the delegation.

"The purpose of this trip," Mr. Livingston wrote, requesting Pentagon assistance (say, a plane), "is to review and inspect defense, space, battle monuments, housing and economic development programs." Spouses are invited "for reasons of protocol," he said, but they must pay their own costs. (WP)

## Quote/Unquote

Hillary Rodham Clinton, at a children's town hall meeting on race broadcast by Radio Disney: "I want you to feel good about yourself, and don't let anybody else's opinion of you, which is based on a very false idea about who you are, affect how you feel." (AP)



FRONT-RUNNER — Jamil Mahuad, a candidate in Ecuador's six-way presidential election on Sunday, greeting supporters at a campaign stop in Quito. Mr. Mahuad, the mayor of the city, has a clear lead in opinion polls.

## Billionaire Gets Day in Court

### Heiress Faced a \$650 Fine; Now She Is Facing Jail

The Associated Press

SPRINGDALE, Arkansas — Alice Walton, a billionaire, could have paid \$650 to settle a drunk-driving case but instead chose to fight the charges with a pair of high-powered attorneys. She lost. The heiress to the Wal-Mart retail chain, who is believed to be the second-richest woman in America with a net worth of \$6.3 billion, was convicted on four counts Thursday.

She faces up to a year in jail and \$1,125 in fines when she is sentenced on July 2.

Ms. Walton, 48, frowned slightly as the judge announced his decision, but she said later that she had no regrets about the trial, which included 12 hours of testimony and 23 witnesses.

"I wanted to tell my side of the story," her spokesman, Skip Rutherford, read from a

statement she prepared. "That was personally very important to me. I appreciate all the time the court devoted to my case."

Ms. Walton, daughter of Sam Walton, the founder of Wal-Mart Stores Inc., crashed her car near her home Jan. 27. She broke her nose in the accident and her car hit a gas meter and a telephone box. She testified that she had had a few drinks earlier that night but was not drunk.

Police officers testified that Ms. Walton refused repeatedly to submit to a blood-alcohol test at the hospital.

"She turned back to me and said: 'Do you know who I am? Do you know my last name?' ... a police officer, Charles Motesinger, testified.

Ms. Walton said she did not recall making those statements but said that "Officer Motesinger was very ugly to me."

Judge Stanley Ludwig found Ms. Walton guilty of driving while intoxicated, refusing to take a blood-alcohol test at the request of the police, driving without a seat belt and failing to properly maintain control of her vehicle.

He ordered Ms. Walton to report to an alcohol-treatment center to be evaluated by a counselor, who will recommend a rehabilitation program for Ms. Walton.

She already has begun serving an automatic 180-day suspension of her driver's license for refusing to take the blood test.

Judge Ludwig said there was no apparent reason other than intoxication for Mrs. Walton's late-night, single-vehicle accident in good weather.

He also pointed out the results of her blood test.

## Away From Politics

Four days after a church bombing during Sunday services wounded 33 people in Danville, Illinois, a man who attended the church and was wanted for questioning in the blast died in an explosion in his garage. The man, Rick Shotts, about 40, was a military veteran with a history of mental problems. An FBI spokesman declined to identify him as a suspect, but said that he "was on our list of people to talk to" about the bombing at the First Assembly of God Church. (AP)

A 10-hour simulated crisis at the Pentagon this weekend — involving up to 700 volunteers, Defense Department and FBI personnel, local emergency and medical services and the Pentagon police — is intended to test the response to hostage-taking complicated by the use of weapons of mass destruction in the capital. (AP)

A prison board in Frontera, California, denied parole for a 12th time to Leslie Van Houten, 49, the convicted murderer and a follower of Charles Manson, despite of her clean and a follower record during 28 years of a life sentence for the 1969 slayings by Mr. Manson and his disciples. (AP)

Domestic cases of gonorrhea have shown increased resistance to fluoroquinolones, a class of antibiotics that are among the last drugs that can still cure the sexually transmitted disease, but that have also lost some effectiveness in Hong Kong, Japan and the Philippines, the federal Centers for Disease Control and Prevention said. (Reuters)

## TO OUR READERS IN FRANCE

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- August 15
- November 1
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Herald Tribune

THE WORLD'S DAILY NEWSPAPER

## Why your next dress shirt should come all the way from a little town in America.

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We're Lands' End Direct Merchants. And if the term "Direct Merchants" is unfamiliar, it simply means that we do our business directly — by catalog.

Like the merchants of old, we shop the world over, searching for the best fabrics, the finest clothing makers. Then, we bring our discoveries home to rural Wisconsin — in America's heartland — where we give everything a good, final inspection before shipping it out to customers like you.

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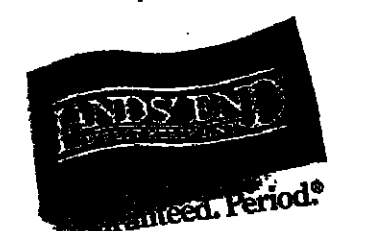
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## U.S. to Press Nigeria for Democratic Reforms

By Thomas W. Lippman  
Washington Post Service

WASHINGTON — A high-level U.S. delegation is planning to go to Nigeria next month to appeal to the country's military ruler, General Sani Abacha, to institute democratic reforms, in a shift to a more direct approach by the Clinton administration to one of its most intractable foreign policy problems.

The administration has kept General Abacha at arm's length since he seized power in 1993. But rising tensions in Nigeria, attributed by U.S. officials to General Abacha's rigging of an August election in which he is the only candidate, the imprisonment of political opponents and a sagging economy have stirred fears in Washington of an "implosion" that could lead to widespread violence and perhaps engulf neighboring countries, a senior official said.

Persuading General Abacha to change course is "a long shot," one official said, "but we all agree that we don't want to see a deteriorating situation." Even if General Abacha rebuffs the U.S. team, as seems likely, the administration has no plans to sever diplomatic relations with Nigeria, despite appeals from some human rights and Africa watchdog groups to turn up the heat, senior officials said.

The U.S. team is to be led by Undersecretary of State Thomas Pickering, a former ambassador to Nigeria, and will include a four-star air force general in an effort to boost the delegation's credibility with the military government, officials said.

Nigeria under General Abacha has long been regarded by the Clinton administration as having one of the world's most reprehensible governments. Nigeria is under several forms of U.S. sanctions because of its record of human rights abuses, political repression and tolerance of narcotics trafficking.

Despite Nigeria's prominence as Africa's most populous country and a major U.S. oil supplier, President Bill Clinton, Secretary of State Madeleine Albright and former secretary of state Warren Christopher all conspicuously bypassed it on their high-profile trips to the continent.

The Pickering delegation's visit would be the highest-level U.S. contact with Nigeria in several years, but senior officials insisted that the mission does not represent any softening of the administration's position. On the contrary, they said, the purpose of the mission is to tell General Abacha that his political program is unacceptable to Washington and that he faces further ostracism if he persists.

There has been some suspicion on Capitol Hill and among prominent American blacks that the Clinton administration is preparing to accept General Abacha's rule as a fact of life and reconcile itself to doing business with the regime. Administration officials acknowledged that the suspicion was fueled by Mr. Clinton, when he inadvertently suggested during his trip to Africa in April that General Abacha might be acceptable to the United States if elected as a civilian.

Just over a week ago, the Reverend Wyatt Tee Walker, president of the American Committee on Africa, said on behalf of a coalition of black American groups that "there is growing evidence that the White House is tilting toward an accommodation with the dictatorship, an accommodation that is a betrayal of the Nigerian people and an abandonment of principle in U.S. policy toward Africa."

He was joined in calling for an embargo on Nigerian oil by Kweisi Mfume, president of the National Association for the Advancement of Colored People, Representative Maxine Waters, Democrat of California and chairwoman of the Congressional Black Caucus, Randall Robinson, head of the activist group TransAfrica, and several other prominent black leaders.

At the same time the chairman of the House International Relations Committee, Benjamin Gilman, Republican of New York, and Representative Donald Payne, Democrat of New Jersey, a former Black Caucus chairman, introduced legislation calling for additional sanctions on Nigeria and for the United States to offer aid to democratic opposition groups. Their purpose, Mr. Gilman said in a statement, was to send a "clear message" to General Abacha that his promised transition to democracy, currently designed to ensure his continuation in power, "is a farce and is unacceptable."

The Clinton administration has struggled for months to develop a cohesive policy toward Nigeria as some officials argued for a less confrontational approach while others advocated a tougher line.

## Estrada Officially Declared President of the Philippines



The president of the Philippines Senate, Neptali Gonzales, left, and the House speaker, Jose De Venecia, right, flanking Joseph Estrada, who was proclaimed the country's president during a joint session of Congress in Quezon City on Friday.

## French Vote on 1915 'Genocide' Infuriates Turkey

The Associated Press

PARIS — Drawing an angry response from Turkey, French lawmakers unanimously passed a motion Friday stating that Paris "publicly recognizes the Armenian genocide of 1915."

The National Assembly motion now goes before the Senate. If passed, France would become the first major European country to use the term "genocide" to describe the deaths of about 1.5 million Armenians in Ottoman Turkey between 1915 and 1923.

Turkey denies that the deaths constituted genocide, insisting they were the result of a civil war, and strongly criticized the passing of the motion.

"Terrorist acts against Turkish diplomats in France will escalate," Foreign

Minister Ismail Cem said. "Therefore, we are asking the French government to increase security at Turkish diplomatic missions."

Mr. Cem, attending a NATO meeting in Luxembourg, was referring to the killing of 34 Turkish diplomats and family members by Armenian militants during the 1970s and early 1980s. Five were killed in France, in attacks that included a 1983 bombing at Orly Airport near Paris that left eight people dead and 54 wounded.

"This decision is also a move aimed at destroying ties between Turkey and France," Mr. Cem said.

President Suleyman Demirel said the French motion had "no meaning other than misrepresenting the historical facts."

"I invite the French Senate to use its common sense and correct this wrong decision," the Turkish president said in a statement.

Prime Minister Mesut Yilmaz of Turkey warned his French counterpart, Lionel Jospin, in a letter Thursday that passage of the motion would antagonize Turks.

"Turks are extremely sensitive to the use of the word 'genocide,' used to define the sad events that took place during World War I," he wrote. "and feel they are being unjustly accused of a crime they have not committed."

The short motion approved by the National Assembly states simply: "France publicly recognizes the Armenian genocide of 1915."

## GOLDWATER: Conservative Dies at 89

Continued from Page 1

the nation's most respected exponents of conservatism, which he sometimes defined as holding on to that which was tested and true and opposing change simply for the sake of change.

His friends said he was often misunderstood, but his reputation for personal integrity was unblemished.

At the height of the Watergate crisis, when the Republicans in Congress needed someone to tell President Richard Nixon that he should resign, they chose Mr. Goldwater.

Instead of telling the president what to do, Mr. Goldwater simply informed him in the Oval Office on Aug. 7, 1974, that the Republicans in Congress were unwilling and unable to stop his impeachment and conviction should he remain in office. Mr. Nixon resigned the next day.

A stickler for the Constitution, Mr. Goldwater refused to join the Republicans of the New Right during the 1980s when they began to press for legislation that would limit the authority of the federal courts to curb prayer in public schools or order busing for school integration.

He was a staunch opponent of busing and he backed prayer in schools, Mr. Goldwater said, but he thought it a dangerous breach of the separation of powers for Congress to be telling the courts what to do.

His political philosophy also included a strong military posture, a deep mistrust of the Soviet Union and a conviction that increasing the scope of government programs was no way to solve social problems.

In all, he served 30 years in the Senate, but he was out of office for four years after he lost his bid for the presidency and in political limbo for almost a decade after that defeat.

He came back during the Watergate crisis of the early 1970s. Then the bluntness and the candor that had so often damaged Mr. Goldwater's presidential campaign and his outspoken criticisms of President Nixon's failure to deal with the growing Watergate scandal were among the vital ingredients of his political renaissance.

The president, he asserted, had shown "a tendency to dabble and dabble and argue on very nebulous grounds like executive privilege and confidentiality when all the American people wanted to know was the truth."

A quintessential Westerner and a man of great personal charm, Mr. Goldwater was an incurable gadfly who loved

such devices as the electronically operated flagpole at his Arizona home that was rigged to raise the flag at the precise moment it was struck by the rays of the morning sun.

He was an enthusiastic ham-radio operator, pilot and photographer, who loved to take pictures of the people and landscapes of the American West.

He championed a brand of rugged individualism, and he never hesitated to speak his mind. He could be both colorful and profane, and he often said things he later wished he hadn't.

"Barry, you speak too quick and too loud," former President Dwight Eisenhower once told him, and Mr. Goldwater acknowledged that Mr. Eisenhower was right.

"There are words of mine floating around in the air that I would like to reach up and eat," he once said.

For example, asked by the columnist Stewart Alsop in 1963 what it might feel like to wake up as president some day, Mr. Goldwater remarked, "Frankly, it scares the hell out of me."

When members of his own party advocated policies that he considered too much like those of the Democrats, he ridiculed them for "me tooism." Once he called the Eisenhower administration "a dime store New Deal," and the former president never fully forgave him.

In 1961 he said at a news conference that "sometimes I think this country would be better off if we could just saw off the Eastern Seaboard and let it float out to sea," and the comment came back to haunt him for years, as did remarks about making Social Security voluntary and selling the Tennessee Valley Authority.

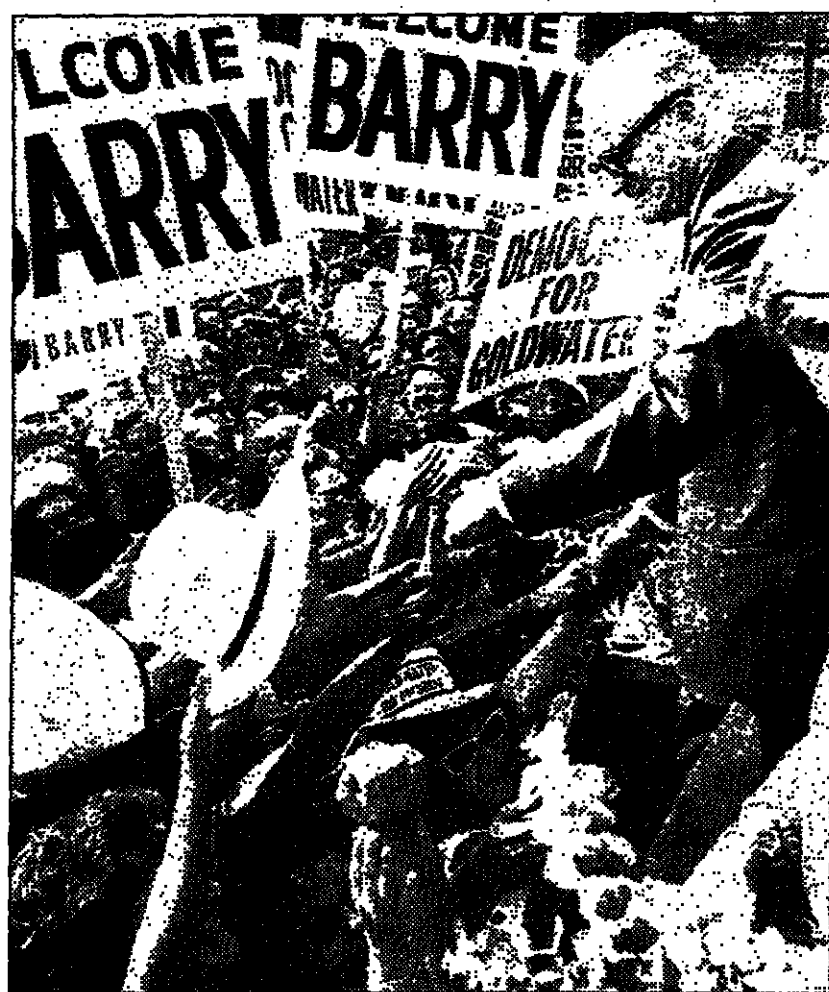
To many, Mr. Goldwater was a man of contradictions.

He ended racial segregation in his family department stores and was instrumental in ending it in Phoenix schools and restaurants and in the Arizona National Guard. But he also voted against the 1964 Civil Rights Act, contending that it was unconstitutional, and he backed restrictive amendments to earlier civil-rights legislation.

Blacks voted overwhelmingly against him in 1964.

Mr. Goldwater's relations with the press were never smooth. He often complained that what he said was misinterpreted or distorted or both. During his presidential campaign, reporters sometimes complained that Goldwater aides asked them to "write what he means, not what he says."

Mr. Goldwater said he would have voted against himself in 1964 if he be-



Barry Goldwater campaigning for the presidency in Indianapolis in 1964.

lied everything that had been written or said on radio and television about him.

In May 1963, he caused an international uproar when he suggested on a television program that "defoliation of the forests by low-yield atomic weapons could well be done" to expose the supply routes for the flow of arms from North Vietnam to the Viet Cong guerrillas in the south.

He and his supporters argued strenuously that he had never suggested that atomic weapons actually be used, but the remark only provided fuel for his critics, who contended the next year that electing Mr. Goldwater president could only increase the likelihood of a nuclear disaster.

In the Republican primaries, Governor Nelson Rockefeller of New York stomped the country and raised questions about what he called Mr. Goldwater's "extremism."

Governor William Scranton of Pennsylvania, at the Republican National Convention in San Francisco, told Mr.

Goldwater in a letter that "you have too often casually prescribed nuclear war as a solution to a troubled world."

President Lyndon Johnson, who defeated Mr. Goldwater in 1964, assailed him in a similar vein.

In his personal and political memoirs, "With No Apologies," published in 1979, Mr. Goldwater observed that his run for the presidency "was like trying to stand up in a hammock."

He said he knew that his chances of winning were slim and contended that his fellow Republicans cost him any chances he might have had during the battle for the Republican nomination.

"By the time the convention opened I had been branded as a fascist, a racist, a trigger-happy warmonger, a nuclear madman and the candidate who couldn't win," Mr. Goldwater recalled.

That convention was long remembered for the spectacle of Goldwater partisans all but drowning out Mr. Rockefeller with a chorus of boos and shouts when he addressed the delegates from the speakers' platform.

It was also long remembered for Mr. Goldwater's acceptance speech in which he declared that "extremism in the defense of liberty is no vice, and moderation in the pursuit of justice is no virtue."

Mr. Goldwater would later explain that the phrase was borrowed from the Roman statesman Cicero.

## PAKISTAN: Controls on Funds Faulted

Continued from Page 1

Meanwhile, many here continued to celebrate their country's technological prowess and defiance of the West and particularly the United States, which led the unsuccessful effort to dissuade Pakistan from exploding a nuclear device and now is marshaling efforts to impose economic sanctions on this impoverished country of 135 million people.

"We should bow our heads in humility to Allah for having bestowed us with the wisdom and courage to fight Tagout," or "evil forces," said The Muslim, a leading conservative daily in the capital. It congratulated the military, which runs the country's nuclear program, which "defied the high priests of the New World Order and secured sovereign defence for Pakistan."

But the achievement came at a price that few in Pakistan expected to pay, though government officials and most people interviewed on the street said they were willing to make huge sacrifices to guarantee their security.

"Being a patriotic citizen, if you have to explode a bomb to protect your country, and you have to pay a price for it, it doesn't matter," said an executive at the Islamabad branch of a Japanese bank.

Money exchange houses, banks and the Karachi Stock Exchange, which has lost almost a third of its value since India's first test May 11, were closed Friday. Panicked depositors stormed several bank branches after rumors, later denied by the government, that safety deposit boxes were to be seized.

"The first priority that we have is to safeguard the country's foreign exchange reserves," Finance Minister Sartaj Aziz said, "because we need every dollar to meet our country's defense requirements."

As a result, he said, Pakistan "very reluctantly" was freezing foreign currency accounts, with few exceptions, such as essential travel and the accounts of foreign embassies. The accounts of all others — foreign or national, business or individual — will have to be withdrawn at the government rate. Before the new controls, the dollar was trading at 45.80 rupee in an unregulated "free float."

In addition to foreign companies that often want access to their own currencies, millions of Pakistanis traditionally keep accounts in dollars here to hedge against inflation and possible devaluations.

About \$6.9 billion of the frozen accounts is owned by Pakistanis, Mr. Aziz said, while \$2 billion belongs to foreigners.

The main concern among account holders is that, if Pakistan defaults on its loans, it could lead to a devaluation and other turmoil that might prolong the new controls and prevent them from re-

moving their money from the country.

Furthermore, as the government grapples with the financial problems and international investors lose confidence, the real value of the rupee could slide, and people would be tied to the government-set rate. Black market exchangers in Karachi were paying 52 rupees for \$1 on Friday, and not one was selling dollars.

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## EDITORIALS/OPINION

## Herald INTERNATIONAL Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

## Pakistan's Nuclear Retort

## Restrain the Hostility

Hitching nuclear weapons to the escalating hostility between India and Pakistan has long been a frightening prospect. It became a reality Thursday when Pakistan tested five nuclear devices just two weeks after India did the same. The two nations have now achieved a fearful symmetry that, if managed carelessly, could produce a nuclear confrontation. To avoid that deadly result, Pakistan and India, with the help of the United States and other nations, must move immediately to limit their nuclear ambitions.

It may seem difficult to imagine such restraint only hours after the Pakistani tests, which came despite a concerted diplomatic campaign by Washington and the threat of U.S. economic sanctions. But unless the two countries are bent on destroying one another, they have by testing achieved military and political objectives that cannot be further advanced by building or using nuclear arsenals.

Both countries have proved, to each other and the world, that they can create nuclear weapons, and have satisfied nationalist pressures to do so. Each knows that the other can quickly fashion warheads and missiles to deliver them. That is as far as this arms race should go. It can end there if India and Pakistan declare a testing moratorium, cancel plans to put warheads on missiles and move to join 149 other nations in a test-ban treaty.

Though the prospect of U.S. sanctions did not dissuade India and Pakistan from testing, the loss of U.S. and other Western financial support will be painful. President Bill Clinton ought to offer to reduce or lift the sanctions in exchange for commitments to end testing and to refrain from developing an array of nuclear munitions.

India and Pakistan were the two most significant holdouts two years ago when the other countries agreed to the test-ban treaty. It is now clear that their refusal to go along carried an implicit warning that the world did not take seriously enough. Washington, Moscow and Beijing, despite differences on other issues, have no interest in nuclear conflict between India and Pakistan and should together press for treaty acceptance.

India and Pakistan must also follow the example of other nuclear powers and work out emergency communications and confidence-building agreements to prevent accidental nuclear conflict. Further, they need to restrain their armed forces to assure that border skirmishes over the disputed province of Kashmir do not escalate dangerously.

Indian and Pakistani leaders surely realize that both countries have an overwhelming interest in seeing that their nuclear weapons are never used. The best way to prevent a clash is to stop the nuclear programs now, before they run out of control.

THE NEW YORK TIMES.

## Nuclear Club Duties

Restraint was widely urged on Pakistan after India conducted five nuclear tests. But those doing the urging had to know their appeal was hollow. Pakistan, feeling that nothing less than its survival was at stake, was being asked to give up a matching nuclear option in return for an uncertain set of international guarantees. India's tests were strategically gratuitous: They did not emanate from any threat that reasonable people could perceive, certainly not one from Pakistan. Pakistan's five tests on Thursday, however, had a claim of strategic justification. That is why India's tests enraged many in Washington and elsewhere, while Pakistan's were received more in sorrow than in anger.

In a kinder world, the United States would treat different sorts of tests differently. Unfortunately, congressional micromanagers have left the president with no choice but to apply the same stern economic and political sanctions to all offenders. A poor country, India knew what these penalties would be but, caught up in its new phase of Hindu-nationalist pride, tested. Poorer

Pakistan also knew and, in its fear, also tested. So much for the efficacy of sanctions, at least when they are applied rigidly.

It falls to the five standing members of the nuclear club to limit the damage. The five must press the two to go no farther down the road of weaponization and deployment and to accept the discipline of the nonproliferation, technology-transfer and test-ban accords. The five must urgently address the smoldering issue of disputed Kashmir, a potential flash point of the world's first nuclear exchange. In short, the five must make membership in the nuclear club not simply an affirmation of possession of a bomb but also an obligation for statesmanship.

A good place to start is with a speech lesson. The words that go with nuclear weapons resonate and penetrate deeply. On Thursday, the Indian prime minister celebrated his country's bombs as "India's due, the right of one-sixth of humankind." But nuclear weapons are not posters of pride; they are grave and demanding instruments of public policy. They must be wielded, if at all, and spoken of, carefully.

THE WASHINGTON POST.

## Unions' Political Power

Is it fair that union leaders can give union money to politicians who may or may not be supported by individual union members? That is the question posed by Proposition 226, a California budget initiative being voted on in the primary election Tuesday.

The proposition would bar unions from using any part of an individual member's dues for political contributions without annual written permission from the member. Those opposed to letting the union contribute their money would get that amount back for themselves. They could use it to contribute to their favorite candidate, or to buy milk, or for any other purpose.

Unions currently give money to politicians, mostly Democrats, who support them on issues of importance to labor, ranging from tenure for public school teachers to trade legislation. It is quite possible that any given union member may be on the opposite side of such issues or not care about them at all. That union member might, on the other hand, be passionate about abortion, gun control or some other issue and be unwilling to see his or her money go to anyone who voted the wrong way — as the union member saw it — on those issues.

Unions have mounted a vigorous campaign against the California proposition, arguing correctly that it would effectively bar them from spending money while their opponents could still flood money into campaigns. They are right, and for that reason the one-sided proposition deserves to be defeated.

But if voters feel strongly that every person should be able to control whether his or her money goes to political parties or candidates, they need to extend the idea to corporations and their shareholders.

Suppose, for example, that General Motors decided to contribute up to \$7 million — about a penny per share — to politicians. The company's management no doubt would want that money to go to candidates who were sympathetic to auto industry concerns, whether on tax policy or on fleet gasoline-mileage issues.

But what would happen if other shareholders were given a choice? Pension funds, with fiduciary obligations to maximize the return on their investments, would have no choice but to ask for the money in cash. Mutual funds would probably be in the same position. Charitable foundations that own stocks might fear that making contributions would jeopardize their tax-exempt status or prefer to have more money for their charitable endeavors. Some individual investors no doubt would go along with letting the company make contributions, but many, perhaps most, would want the money.

An evenhanded approach could reduce the amount of special-interest money sluicing into both parties and help diminish the corroding influence of big contributions. But that is not the goal of Proposition 226, which seeks to destroy union political power while leaving corporate power unchecked.

THE NEW YORK TIMES.

## What's Behind the India-Pakistan Arms Race

By Prem Shaker Jha

RICHMOND, Virginia — To the rest of the world, Pakistan's decision to set off nuclear tests looks like an unfortunate but inevitable reaction to India's nuclear tests.

"We had no choice left to us" was how Pakistan's prime minister, Nawaz Sharif, put it Thursday. But Pakistan did have a choice.

India went ahead with its nuclear tests only after Pakistan changed the power equation on the subcontinent by launching its intermediate-range ballistic missile, the Ghauri, on April 6.

At the time, Pakistani spokesmen said that with the development of the Ghauri — brazenly named for the Afghan invader who established the first Muslim kingdom in north India in 1193 — no Indian city was safe from a Pakistani attack. The creator of Pakistan's nuclear bomb, Abdul Qadeer Khan, proclaimed that Pakistan now had the ability to hit 26 Indian cities.

Then, a few days later, Pakistan announced that it would soon test a longer-range missile, named the Ghaznavi for the first Afghan to invade western India in search of plunder at the end of the 10th century. The aggressive intent behind the naming of the missiles, and the harping on the ability to hit Indian cities, sent shivers

of apprehension through India.

For its part, India had stopped the development of its intermediate-range Agni missile ("agni" is Hindi for "fire") soon after a specific request by President Clinton to P.V. Narasimha Rao, the prime minister in 1994. Before this month, India had not tested a nuclear device for 24 years.

There were only two or three scientists left in the Department of Atomic Energy who had been involved in the original project.

No one had any idea whether the engineering problems involved in the conversion of a crude nuclear device into a bomb or warhead had been resolved. India's nuclear ability, in short, existed mainly on paper.

India might have decided to live with this degree of insecurity if Pakistan's weapons program had been frozen at last year's level. But that was not likely to happen for two reasons. The first was evidence of continuing Chinese help to Pakistan in developing both its nuclear weapons and missiles. The second was the strange blindness of the United States to the threat this posed to India.

Indian policymakers were always

skeptical of Chinese assertions that they were not selling equipment or technology to Pakistan for its nuclear and missile programs, and preferred instead to believe the host of American intelligence reports that confirmed this cooperation.

What forced India to reassess China's intentions is that this cooperation seemed to increase after India and China signed an agreement resolving their border dispute in 1993. There was the sale of ring magnets for Pakistan's gas centrifuges in 1994, the sale of M-11 missiles in 1995, and the presence of Chinese scientists at the Pakistani nuclear research site in Kahuta.

Moreover, the Indians believed that the intermediate-range Ghauri was not a product of North Korean technology, as widely reported, but of Chinese technology. Not only has North Korea flatly denied any such sales to Pakistan, but the modified Scud it developed in 1991 had a range much shorter than that of the Ghauri. Since the North Koreans test-fire all their missiles into the Sea of Japan, these tests cannot be kept secret.

Indians therefore found it incredible that North Korea should have developed such reliable technology for a missile with three times the range without needing to test it, and that Pakistan should have bought a completely un-

tested missile or its components. Lastly, Indian intelligence believed that Chinese scientists were helping Pakistan to make its nuclear weapons small enough to mount on a warhead.

This cooperation united Pakistan's urge to harm India with China's ability to do so. But what tipped India over the brink was the blind eye the United States turned to the danger that Pakistan posed to India. Intent on constructive engagement with China and Pakistan, the Americans have simply disregarded India's fears.

Pakistan cleverly timed the launch of the Ghauri missile for the eve of the visit of Bill Richardson, the U.S. representative to the United Nations, to neighboring Afghanistan. He needed Pakistan's mediation to restore peace to that country and open the way for investment in Central Asia.

The United States responded by expressing the mildest of regrets. India then realized that, for the foreseeable future, it was truly alone.

Prem Shaker Jha, a columnist for *The Hindu* daily newspaper in New Delhi, is in the United States writing a book on India, China and Russia. He contributed this column to *The New York Times*.

## Clinton Mideast Policy Slips, and Netanyahu Gets Off

By Stephen S. Rosenfeld

WASHINGTON — From the start, the American strategy in dealing with Israeli leader Benjamin Netanyahu was to keep him from caving in to his annexationist right wing — for him a tempting political choice. Instead, the United States would try to move the Israeli mainstream into a position acceptable to the Palestinian mainstream. For this to happen, President Bill Clinton needed to hold firm against the pressures that his policy would inevitably stir.

Here is the danger of the moment. Mr. Clinton seems to have lost his grip on his own policy. He is allowing Mr. Netanyahu to escape a confrontation with the Israeli right. The prospects of peace are dimming.

It is easy enough to blame the Republicans. To judge by Newt Gingrich's sojourn in Israel, they have not abandoned but have embraced politics at the water's edge. Mr. Gingrich's performance at times stepped

far across the line that usually restrains opposition politicians from conducting partisan foreign-policy attacks when they are on the road.

What is striking about the episode is not that the House speaker conducted it but that the president virtually invited it and then let him get away with it. For some weightless tactical reason, Mr. Clinton made the self-wounding decision to open up a peace initiative in the Middle East, to put major diplomatic and political chips on it, but not to go all out to explain it, sell it or defend it once, predictably, it came under fire.

Mr. Netanyahu met this instance of self-inflicted paralysis by mobilizing his own campaign behind "enemy" lines. That is, he saw to the organizing of a letter of protest against White House policy from 81 senators, and went on from there. Americans cannot claim

a right to affect the fundamental interests of a foreign country and then demand to be spared that country's efforts to influence American policy. Still, Israel's demonstration of its reach into the American political system has been for many a sobering revelation.

A man openly on the political make, Mr. Gingrich came upon a veritable black hole in American policy-making and proceeded to fill it with his own resounding criticism of President Clinton. Such responses as the White House has offered have been episodic and ineffective and, again, have suffered from the threshold decision not to ruffle Mr. Netanyahu.

On no particular point has the administration fumbled more than on the question of Israel's security. Mr. Netanyahu hit on the notion that the Clinton peace proposals indicated not merely an arguable policy difference

but an unacceptable attempt to place the American definition of Israel's security needs ahead of Israel's own definition.

This is the sort of abstract statement that, the more you look at it, the more its substance squirts away. In everybody's rhetoric, Israel's own definition of its security needs comes first. But in real life, different definitions are constantly being negotiated. America's friendship for Israel counts. So does America's regional standing. So does, more than anything else, its control over its own policy. To inflate these natural, manageable differences of definition into intimations of American infidelity is to depart sense for propaganda.

The United States looks to an incremental policy that will gradually produce a peaceful outcome among still-wary but contented Middle East states. On this basis the Clinton administration urges Israel to unload the territory whose retention

can demonstrably aggravate Palestinian humiliation and impede progress toward peace.

Mr. Netanyahu looks to abiding tensions rendered inescapable by the "unreformed and undemocratized" character of Israel's neighborhood. Apprehensive of peace, he insists on retaining territory on the premise that it will enable Israelis better to fight and survive another war.

The American task remains, by wise patronage and constancy, to draw Israel into terms that will satisfy Israeli security requirements and meet the Palestinians' demand for a minimally decent state of their own. The United States cannot expect to perform this task, however, if it does not apply itself openly, directly and intelligently to it. The strategy of building an Israeli center that can induce Mr. Netanyahu to break with his right remains sound. It is in the pursuit of it that Mr. Clinton lags.

The Washington Post.

## A 'Conciliator' Guides France Past the Ideological Traps

By Jim Hoagland

PARIS — Lionel Jospin waves off an invitation to describe how he has survived a year in power and kept his approval ratings high with the normally fractious, hypercritical French electorate.

"Self-congratulation is not a good idea," France's Socialist prime minister says in an unwittingly persuasive answer to my question.

Mr. Jospin's center-left government has cultivated an image of modesty and sobriety since winning parliamentary elections last June 1. This image has helped him enormously in governing a France that has left behind the age of ideology but not yet arrived at the mass-marketing approach to politics that prevails elsewhere.

France's Socialists have understood far better than their

opponents on the right that in modern governance, style is substance, communication is content and political campaigns do not end when the election is won. That same lesson is also evident in the rise to power of Tony Blair's New Labour in Britain and the center-left Olive Tree coalition in Italy, and the strong lead the Social Democrats in Germany have taken in the campaign for the September national election.

Suddenly, moderate social democrats dominate Europe's effort to come to terms with the global economy and the pressures it exerts on the welfare state. But Mr. Jospin characteristically resists broad generalization on this and other topics: "I don't know if this is a

model," he objects. "It is up to each government to choose its way. I don't relate myself to a model." But it is a trend, Jospin adds, noting that he and other "left-oriented moderate" leaders share a common political language about the need to mix free-market mechanisms and concern for social cohesion and justice.

For most of the hourlong conversation in his bright and airy office overlooking the gardens of Hotel Matignon, the language Mr. Jospin uses is English, which he will also employ on his first official visit to Washington, set for mid-June.

This is an important cultural fact. France finds much of its national pride, and even identity, in the beauty and clarity of

its own language. But even here, knowing other languages is increasingly important in building the more open Europe that is taking shape. When Mr. Blair made an official visit here in March, he delivered his major address in impressive French.

Throughout the interview — as he has in governing — Mr. Jospin draws a careful line that he obscures or highlights according to his needs.

On one side is a France that is making great strides in opening itself to the world in trade, finance and culture. On the other is a France intent on safeguarding its own distinctive values and social standards. His talent lies in persuading the French thus far that he will sacrifice neither goal.

"Each one in his own country is obliged to think in global terms today," he says. "Globalization is not uniformization for me. Only diversity permits life, for people and for nations."

Mr. Jospin's first anniversary in office coincides with the end of the 30th anniversary of the student and workers' revolt of May 1968. The timing is coincidental, but there is a direct line between the two anniversaries for Mr. Jospin, now 61, and for France.

The revolt helped convince Mr. Jospin to leave the diplomatic service and take up politics. And it began the move away from the highly centralized and hierarchical political system dominated by the con-

servatives that has lain in ruins since the Socialists' surprise victory last year.

Mr. Jospin's unauthoritarian, anti-hierarchical style pleases the French, who fought the more traditional leadership of his conservative predecessor, Alain Juppe, who emphasized keeping French business healthy. The economy has, in fact, revived under Mr. Jospin.

"Jospin runs his government as an arbiter, letting his ministers be strong personalities and argue for different policies," says one member of his government. "He presents himself not as a boss, but as a conciliator."

"We don't want too much ideological debate," the prime minister of the country that invented that art form tells me. "We want a certain flexibility" and "conciliation" between labor and management in coming negotiations on a 35-hour national workweek.

Thirty years ago, French unions refused finally to take the risks of supporting the students' efforts to topple the government of Charles de Gaulle and began the slow death of class warfare, as an important idea in France.

This May, Lionel Jospin has been quietly burying that corpse and beginning to chart a still-uncertain path into a new, less ideological political future for France. So far his road has been light enough to avoid the mines scattered all along this path.

The Washington Post.

## Barking Up the Wrong Tree

By Ethan Kapstein and Thierry Malleret

MINNEAPOLIS — During the late 1970s, Wall Street economists believed that bank lending to less developed countries was "rational and discriminating." In 1996, Albania was deemed by a group of distinguished economists as a model for the post-Communist transition. And in June 1997, a group of nine economists declared that "nothing could really go wrong" in East Asia.

Despite this dismal track record, we still look to the dismal science for country risk analyses and warnings of impending crises. In fact, after every recent crisis pundits and public officials have called upon the International Monetary Fund and the World Bank to establish early warning systems. But current efforts of this sort are misguided.

For example, in providing lessons from the Asia meltdown, the U.S. Treasury secretary, Robert Rubin, asserted recently the need for "better information."

"When investors are well-informed they will make better decisions," he said. He suggests that in the Asian case there were "obstacles to getting good information about economic and financial matters."

That claim is hardly credible. Few of the investors we speak with blame their analytical failures on a lack of data. It is all the more disingenuous coming from an American official who has all the resources of the government at his disposal. Does Mr. Rubin really believe he could effectively process additional data?

The problem is not the lack of numbers but the analysis. Good country risk assessment is about more than the balance of payments, monetary policy or the banking system. It is about politics.

Take Albania, which had great numbers in the late 1990s. What the data did not reveal was the involvement of government and organized

crime in arms sales to Serbia and Montenegro in breach of the United Nations embargo. Financial pyramid schemes were built to siphon off the country's savings into these illicit activities; the ending could only be an unhappy one.

A second example comes from Asia. Until the financial crisis of 1997, the region enjoyed tremendous export-led growth. But did the numbers tell us about "crony capitalism," that familial and old-boy network at the center of most national economies? Cronyism should have been the starting point for any country risk analysis.

These lessons suggest that early warning will not be found in more financial data but in a deeper understanding of political economy. How much do investors really know about the politics of emerging markets? How transparent are decision-making processes in these countries?

The capital exporters have considerable expertise with respect to these questions, but it is not to be found in the IMF, the World Bank or the Organization for Economic Cooperation and Development.

Rather, it is better to turn to universities, foreign ministries and the intelligence community. These are the resources that need to be mobilized in support of emerging market analysis. In doing so we would actually help leaders stay on the road to liberalization and sustained growth.

The best lesson we could possibly send to the governments of China, Russia and in Africa and other countries that seek our investment is this: We are watching you and we will publicize your misdeeds. Only in that way can we hope to eliminate the political rot that lies at the core of most economic crises.

Mr. Kapstein is Stassen Professor of International Peace at the University of Minnesota and a former OECD official. Mr. Malleret is chief economist with Alfa Capital in Moscow. They contributed this column to the *International Herald Tribune*.

## IN OUR PAGES: 100, 75 AND 50 YEARS AGO

## 1898: Fleet Entrapped

NEW YORK — The Spanish fleet is now safely entrapped at Santiago and is evidently in a bad way. Judging from accounts received here, its provisions are not plentiful and its coal is of bad quality, and is running short. Such is the deplorable picture painted of the enemy, who in his best fighting trim was anything but likely to cope successfully with the powerful squadron which Commodore Schley was reported to have with him. It now seems that all is over, barring the shouting, should the rival fleets meet.

## 1923: Vulgar Drawings

LONDON — Max Beerbohm's exhibition of caricatures in the Leicester Gallery has raised a storm of protest against his cartoons of the Royal Family, particularly of the late King Edward, who is depicted as a very

obese angel, with a lyre clasped in his hands, and of the Prince of Wales finally marrying, in his dotage, a lodging-house keeper's daughter. This has drawn fire from all critics. "Vulgar," "teutonically brutal," "out of date," are the most common epithets hurled at the artist.

## 1948: Uncertain Future

PRETORIA — Feverish speculation on South Africa's future raged throughout the Union today (May 29) in the post-election vacuum created by the silence of both the Nationalist victor, Dr. Daniel F. Malan, and his doubly-defeated rival, Field Marshal Jan Christian Smuts. Dr. Malan, whose slender majority of five might make control difficult, continued discussions on selection of a Cabinet. General Smuts conferred with leaders of his United party. Strong efforts were being made to persuade him to return to politics.

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# DESTINATION GREECE DOORWAY TO THE OLYMPICS

## THE OLYMPICS TO COME HOME IN 2004

Preparations are under way for the return of the Olympic Games to their country of origin.

Athenians, and Greeks in general, rejoiced last September when International Olympic Committee President Juan Antonio Samaranch announced in Lausanne that the Olympics were "coming home." It was his way of saying that the 2004 Olympic Games had been awarded to Athens, the city where the modern Olympics started in 1896, and to Greece, where the Olympic idea was born almost 3,000 years ago.

Greece had also applied for the 1996 centennial Olympics, but was instead awarded the games of 2004. This made the Greeks realize that the games were a very serious international sports, social and financial affair not governed by sentiment, but by purely business considerations.

Thanks to a committee headed by Yanna Daskalaki Angelopoulou and the mayor of Athens, Dimitris Avramopoulos, Greece persuaded the IOC that it was ready to organize the games.

"Now we face the challenge of organizing the finest games," says Stratis Stratigis, chairman of the board of the organizing committee of the Athens Olympic Games, a company set up by the government to proceed with the preparations and the construction of all the facilities that are still needed for the games.

"Despite some Mediterranean traits that we Greeks are sometimes said to have," says Mr. Stratigis, "we shall stun the world with the quality of the show we put on." He expects the eyes of the entire world to be focused on Greece for 15 days in 2004.

### Who started it?

The Olympic Games, which are held every four years, with the winter and summer games staggered by two years, began in Greece in 776 B.C. to honor Zeus, the father of Gods and men, and to commemorate a horse race organized by Oenomaus, a king of ancient Olympia, with his daughter Hippodamia given as the prize. It was won by Pelops, a prince from Asia Minor, who gave his name to the Peloponnese, where Olympia is located.

To understand the importance of the Olympics for the ancient Greeks, one has to remember that they used the first Olympic Games to begin the dating of their era. During the games, all wars between Greek states stopped. That, of course, did not stop outside wars. Will Durant, in his "History of Civilization," emphasized that while the Spartans under Leonidas were in Thermopylae to fight the Persians, most Greeks were gathered in Olympia to attend the 74th Olympics.

"We must not think that the average Greek was a student of Plato or Aeschylus," wrote Durant. "He was interested in sports, the same way modern Americans and Englishmen are. His favorite athletes were his gods on earth."

Although the victory prize in the games was an olive branch, athletes were pampered and showered with gifts by their fellow citizens. They also served as models for most of the beautiful statues produced by Greek artists.

### The modern revival

The modern Olympics owe their revival primarily to two men, the French Baron Pierre de Coubertin and Dimitrios Vikelas, a Greek author who represented Greece in a 1894 meeting of sports enthusiasts in Paris and persuaded them to hold the first new games in Athens in 1896.

At that time, the organizing committee faced only the problem of a stadium, since the Olympics included only track and field events. Athens had an ancient stadium, built in 330 B.C. That stadium was repaired and provided with seats for about 50,000 spectators in A.D. 131 by Herodes Atticus, a wealthy Athenian and friend of the Roman emperor Hadrian.

In 1894, the organizers turned to George Averof, a wealthy Greek merchant living and working in Alexandria, who financed the repairs and the resurfacing with marble of the ancient stadium, turning it into a modern facility with a capacity of 80,000 spectators. The

all-marble Athens stadium is today used only for the finish of the 26-mile Marathon, commemorating the victory of ancient Athenians against the Persians in Marathon in 490 B.C.

The new Olympic Stadium and several other facilities for swimming, basketball and soccer were constructed in the area of Marousi, about 10 kilometers (six miles) north of the city center.

The organizing committee, however, still has a lot to do to prepare for the Athens games. Facilities to be built include the Olympic Village on the slopes of Mount Parnes, 30 kilometers north of Athens, with a budget of \$290 million; an Olympic Sports Complex in Phaliron, where the Athens racetrack is today, 5 kilometers south of the city center, at a cost of \$100 million; an Equestrian Olympic Center and a racetrack in Tatoi, 10 kilometers north of Athens, which will cost \$30 million; the Phaleron installations for baseball, softball and volleyball, 6 kilometers south of the city center, estimated to cost \$370 million; the Ayios Kosmas Olympic Sailing Center, opposite the Athens Airport, 10 kilometers



Athens Mayor Dimitris Avramopoulos and Yanna Daskalaki Angelopoulou, president of the Athens 2004 organization.

south of Athens, which will cost \$17 million; and the rowing and canoe basin in Marathon, 40 kilometers northeast of Athens, estimated at \$34 million.

"We are fortunate in that a significant portion of the infrastructure, about 70 percent, is already in place," says Mr. Stratigis. "This gives us hope that, given a continuing media interest in the Summer Olympics, some of these projects will prove to be self-financing."

### Healthy benefits

Mr. Stratigis adds that, according to the major financial institution HSBC James Capel, the Olympics will have a substantial beneficial impact on the country's development and the economy in general.

Even before having secured the Olympics, Greece had undertaken a number of major projects in the Athens area. These projects, necessary to improve the city's quality of life, are also indispensable for the games. They include the expansion of the Athens Metro, to be ready by the end of 2000, and the new Spata Airport, where 3,500 workers are currently working, scheduled to open in March 2001. According to Public Works Minister Costas Laliotis, the new airport "will be an exemplary work. It will give the best of

first impressions to visitors to our country." The Elefsis-Spata highway is also scheduled for opening before the Olympics.

Mr. Stratigis says that the games will not only benefit the country both economically and psychologically, but will also help speed up projects like the Metro, the Elefsis-Spata highway and the new airport, which will free up an extensive area close to the center of the city for the creation of new parks and other environmentally beneficial installations. ●

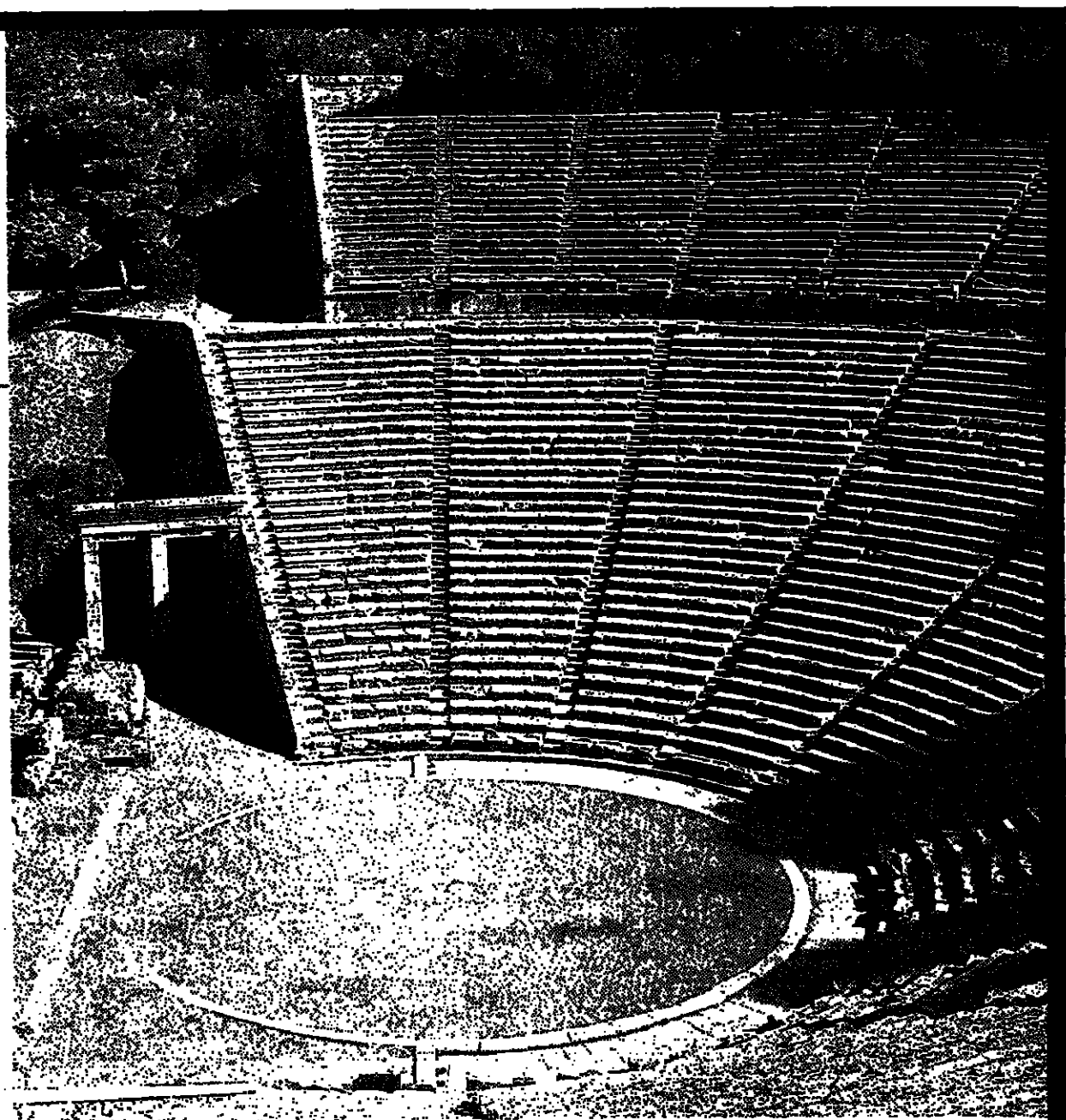
"DESTINATION GREECE: DOORWAY TO THE OLYMPICS" was produced in its entirety by the Advertising Department of the International Herald Tribune. WRITER: John Rigas in Athens. PROGRAM DIRECTOR: Bill Mahler.

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## ART

# A Magnificent New Perspective on Degas

## Show in Washington Reveals His Crucial Perception of Movement

By Souren Melikian  
International Herald Tribune

**W**ASHINGTON — Light-heartedly concealed under the guise of a springtime entertainment, "Degas at the Races," on view at the National Gallery here until July 12, is one of those wonderful shows that suddenly set a famous artist in an entirely new perspective.

Served by an admirable hanging and a selection that gives precedence to beauty, the exhibition reveals the crucial importance that the perception of movement had in the artist's oeuvre even though that is not its stated purpose. Forget Impressionism, which for Degas was a passing phase.

The painter comes out as what he really was — the last of the great European masters whose roots go back to Pisanello and the only one among those who made the jump into modernity. In this, horses seem to have played a role.

Jean Sutherland-Boggs, the Degas specialist who put the show together, observes in her book that his interest did not stem from any familiarity with the animal — the first horses that the artist drew while a student in 1855 were those that he saw on plaster casts of the Parthenon friezes.

His interest was kindled anew when he went to Normandy and stayed with friends in a chateau, not far from the national horse breeding establishment at Haras-les-Pins. By then, the student had become a master.

Around 1860, he painted a seaside view with a man and a woman riding at the edge of the water and composed the scene in a way that had no precedent in Western art. The thrust is off-center on two riders who amble away with their backs turned to the viewer. Their dark shapes form a dramatic contrast with the landscape in pale delicate shades. A subtle atmosphere of companionship in a harmonious setting is suggested by the man's posture — his body is slightly tilted toward the woman who rides alongside.

This unique ability at suggesting mood through posture and movement

was to remain the hallmark of the artist's work.

Seven or eight years later, Degas conceived one of the most beautiful compositions of the 1860s, "The Promenade on Horseback." Three women mounting dark horses are seen ascending a steep slope. At the top, others ride away in the distance. All the characters, except one who gazes at the scene, turn their backs on the viewer.

The feeling is that of an adieu. The scenery in shades of dark green is attuned to the mood and so is the sunset sky with orange and yellow streaks floating above the grayish blue of dusk about to set in.

Movement briefly suspended gives another composition a Vermeer-like feel for the privileged moment. "Carriage Leaving the Races" was painted

that he used it as his principal means of conveying his emotive perception of humans and animals.

"Horses in a Meadow," done in 1871, is the ultimate masterpiece in this line. In the foreground, a large bay horse appears sideways, its head resting across the back of its white mate. The evocation of animal friendship is made more vivid by the desolate emptiness of the pale green landscape in which the horses stand. Horizontal divisions emphasize the monotony. Impressionism that was blossoming at that moment seems very far away.

Did Degas find the Impressionist manner that he eventually cultivated in his ballet views too frivolous for his outdoor compositions in which horses feature?

"Racehorses at Longchamp," also

foliage of the trees in the distance, but great care has been brought to the rendition of the horses. The three figures in the foreground are based on a crisp drawing done a year or two earlier, proving the attention given to posture. What matters in the picture is not the light, as in Impressionism, but the rhythm created by the horses and the mood that this rhythm inspires. There is a sense of purpose, of impending drama: The race is to start shortly.

Indeed, the horse study continues an early strain in the oeuvre of Degas. It is well in line with the sketch of a fox killed in the hunt, which the artist had drawn in black pencil and red chalk perhaps a decade earlier.

There, too, the observation of the posture is charged with emotion in the artist's restrained manner. The loosened musculature of the animal's body lying limp, the closed eyes, with the merest suggestion of suffering expressed by the clenched teeth, combine to make it a gem that could be from the hand of a 17th century master.

The amount of time that Degas spent in studying the movements of man and animals, whether in his analytical drawings or in his models molded in wax, says all about his true priorities.

Some of the sketches have a classical perfection with a subtlety in the scrutiny of expression that is fundamentally alien to Impressionism. Such is the "Horse Walking," donated by Eugene Thaw to the Pierpont Morgan Library. The alacrity in the animal's face and the spring in its step belong to another age.

That attention given to animal and human expressions in relationship to certain postures in order to convey the mood of a moment was maintained by Degas up to the end. Four studies of a groom done on a small sheet capture nuances in the positioning of the rider in the saddle, and match them with subtle changes in the tense, grim features, as if the painter had been training some camera on the sitter.

In another sketch of the same groom, while the leaping movement of the horse is broadly indicated, the man's face is precisely rendered in black chalk



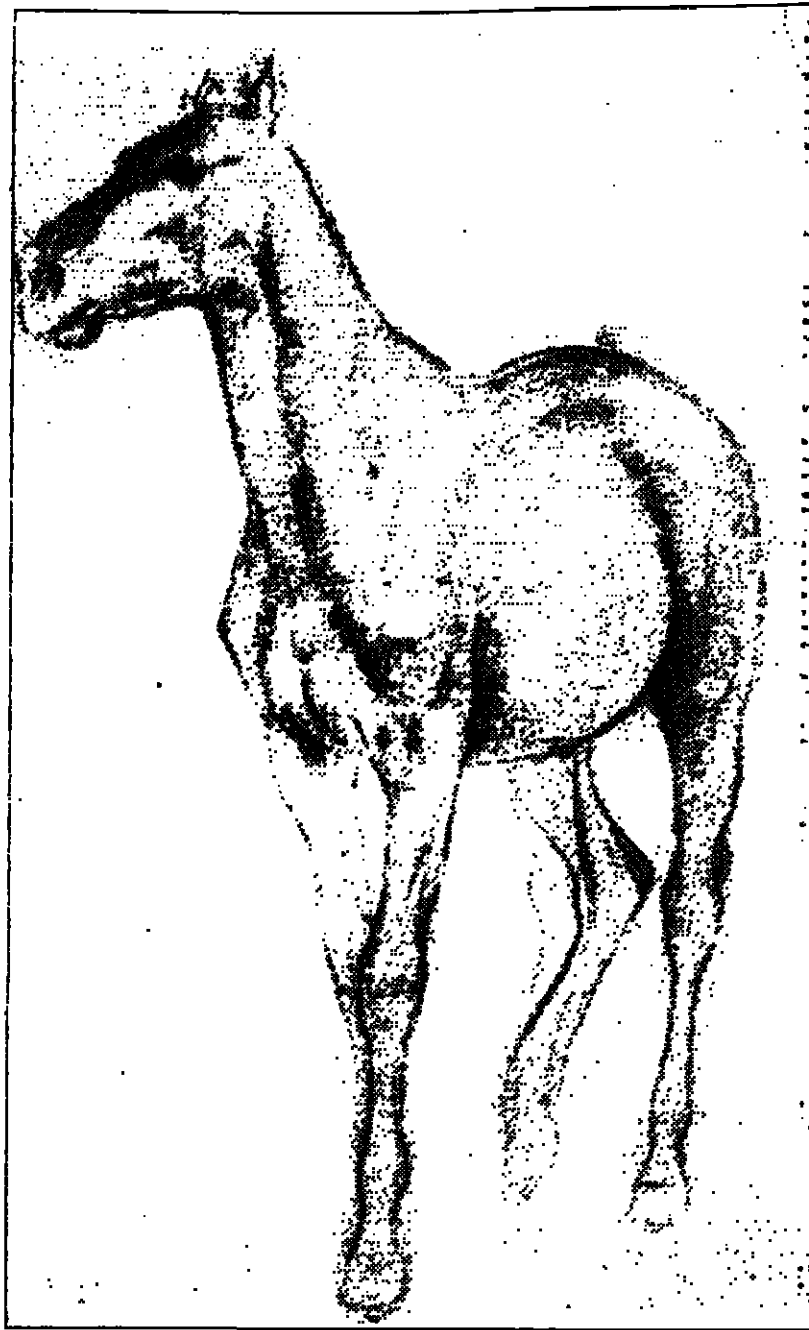
Degas's "Jockeys," painted around 1882, is all about fear, tension and readiness.

in 1869-1872 with a peculiar sense of perspective that Degas probably owed to his practice of photography. The emphasis is on the bottom corner right where the carriage is cropped, as if it was about to vanish beyond the edges of the picture. Further down, in a distinct scene, tiny riders at a standstill watch two jockeys racing each other. It is as if Degas had had a premonition of the motion picture camera.

So essential was movement to Degas

in 1871, but reworked in 1874, the year of the "First Impressionist Exhibition," has nothing in common with the landscapes of Monet or Renoir, in which light blurs details while defining volumes through the use of graded shades.

It is actually the very negation of Impressionism. The jockeys who ride away stand out clearly against the toned green of the turf. There is almost no detail to the grass of the paddock or the



"Horse Walking," 1878: The spring in its step belongs to another age.

heightened with white as in some miniature portrait by a 16th century draftsman.

**T**HIS relentless search for facial and bodily expressiveness eventually resulted in a truly Expressionist style. A close-up study of jockeys painted around 1882 is all about fear, tension and readiness — lips tightly shut, eyes drowned in the shadow projected by the visor of the cap; or heads tilted slightly on the side, in expectation of the signal. The colors are strong, the elements of the composition firmly delineated. Impressionism is all but forgotten.

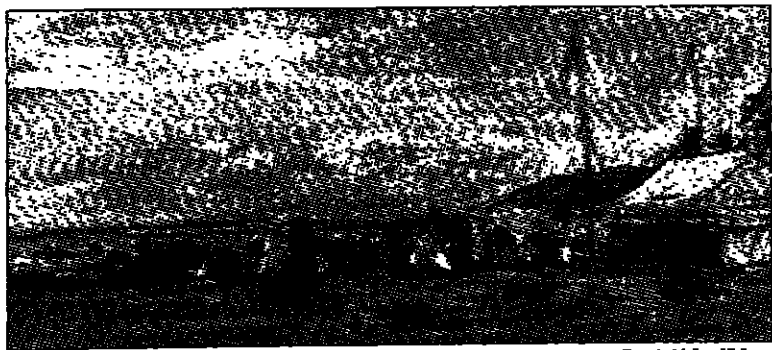
In 1885, Degas drew a pastel study of "Three Women at the Races." Seen from the back, their bodies are bent forward. The faintest suggestion of a smirk can be detected on one of the women's faces, turned just enough for us to catch her expression. Toulouse-Lautrec is already there.

In one of the great man's last pastels of three jockeys, the riders sit tight on their prancing horses ready to bounce off. There is a certain clumsiness, and a disproportion, but the sensitivity to bodily expressiveness remains intact.

This was his true signature tune. Even as he was going blind, Degas could not forget it.

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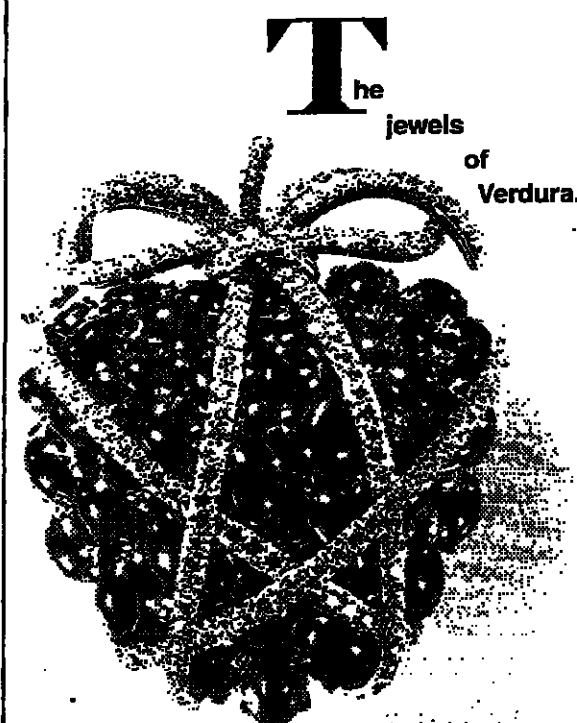
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## An Investor 'Burns Out' In Vietnam

First American Licensee Wraps Up 6 Tough Years

By Kevin Bubei  
Bloomberg News

HANOI — When James Rockwell raised the American flag six years ago outside his Hanoi office, the police made him take it down.

It did not matter that the Vietnamese flag, a single gold star on a red field, flattered beside it. The United States, he was told, was still the enemy.

Mr. Rockwell's consulting business, Vatico Inc., was the first American company licensed to operate in postwar Vietnam. Chrysler Corp. was his first client. International Business Machines Corp., Hughes Aircraft Co. and Amway Corp. soon joined the roster, and his staff swelled to 30.

Now he is heading home. Like many foreign investors, Mr. Rockwell said, he has been worn down by the difficulty of arranging business contracts in Vietnam and the dim prospects for making money.

Vatico, which he left 18 months ago in a dispute with partners, will close on June 30, its staff having dwindled to four.

Mr. Rockwell, 37, is leaving as a number of major U.S. companies reassess their Vietnam operations. A skeptical U.S. Congress will evaluate trade relations between the two countries next month.

This "is a watershed year," said Greg Craft, president of Oklahoma-based Craft Corp., another early U.S. arrival. "Vietnam asks for sympathy, but you can only afford to pay for sympathy for so long."

When Mr. Rockwell arrived in 1992, the United States had no embassy in Hanoi. His office was often mistaken for it because of the flag, which he eventually received permission to fly. Over the course of six years, he feels he has made progress.

"I'm burned out, but I've met every goal I intended to meet when I came to Vietnam," Mr. Rockwell said. "We've done everything we could," he said, to help the normalization process.

The difficulties, though, are clear to all. Four years after the United States dropped its embargo on Vietnam, full trade relations have yet to be restored.

Two anticipated agreements, on protection of copyrights and direct commercial air links, have fallen through in the last six months. Talks on an overall trade agreement drag on.

Investors continue to be harassed by a Communist leadership that has yet to concede that foreign businesses need to make money themselves to help Vietnam's economy grow, the business managers say.

"If 10 percent of foreign-invested companies in this country are making a profit, I'd be surprised," Mr. Rockwell said.

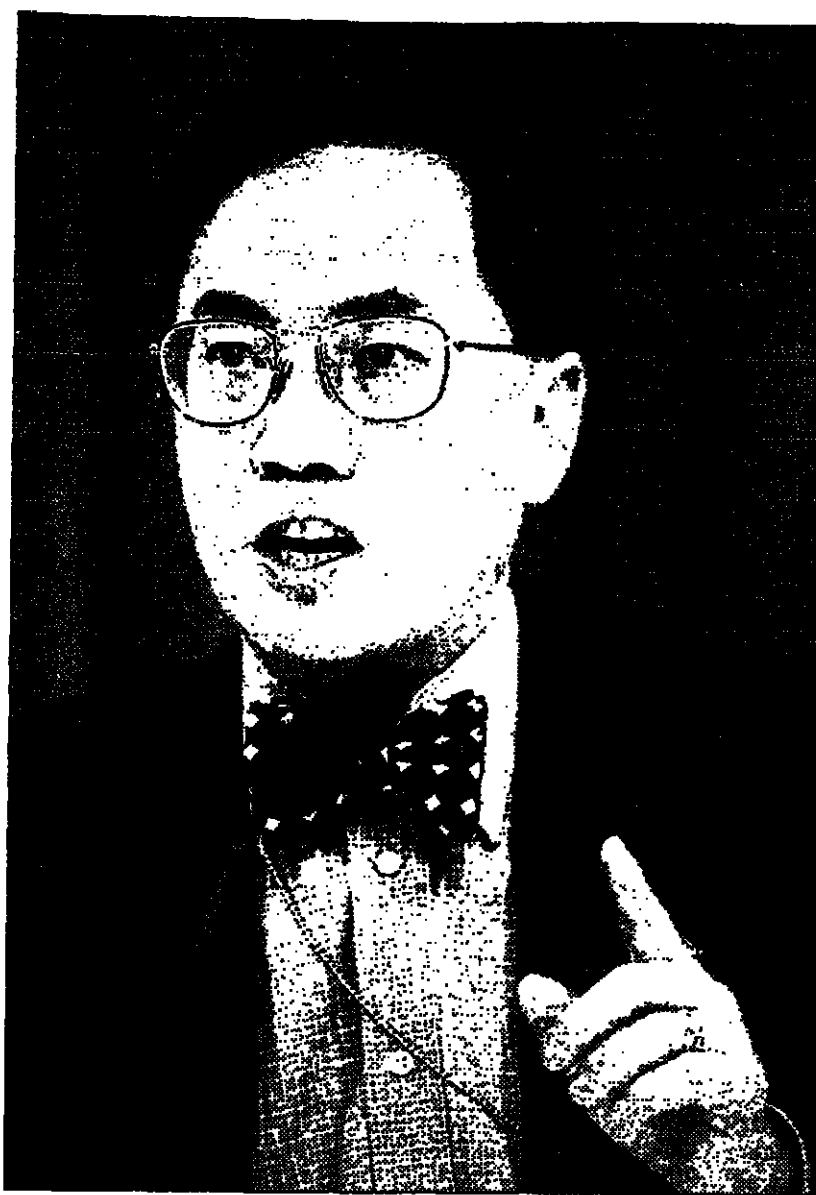
Chrysler, his first client, withdrew from a \$192 million joint venture more than a year ago. It saw no significant return from a market in which only 6,000 locally made cars are sold each year.

That market is divided among 13 licensed automakers. Between them, the companies have an annual capacity to build 180,000 autos. Ford opened a \$92 million plant about 55 kilometers (35 miles) east of Hanoi late last year to make vans and light trucks. "Vietnam is an emerging market," said Murray Gilbert, Ford country manager.

"People complain it's not developing at lightning pace, but we never expected it to. Taiwan took 20 years and Australia 30 years to build a competitive auto industry that could stand up on its own."

Still, opaque regulations and officials seeking bribes make Vietnam a rough sell. Investors also complain they are nickel-and-dimed to death as negotiations drag on. "Vietnam does not appreciate that lost opportunities from so much waiting costs money," Mr. Craft said.

The United States ranks eighth among Vietnam's foreign investors, with 70 licensed projects worth \$1.24 billion. It has double that in projects stalled by red tape. U.S. contracts hinge on Congress agreeing in June to renew President Bill Clinton's March waiver of the so-called Jackson-Vanik amendment, legislation that requires countries to respect human rights.



Sir Donald Tsang, the Hong Kong financial secretary, who said Friday that the territory was facing "an unprecedented economic upheaval."

## Asia Crisis Buffets Hong Kong

Economy Shrank 2% in Quarter, the First Contraction in 13 Years

By Philip Segal  
International Herald Tribune

HONG KONG — Asia's economic crisis has sent Hong Kong's economy sharply into reverse, causing the territory's first economic contraction in 13 years, the government reported Friday.

The contraction in the first quarter, of roughly 2 percent, is as bad as the most pessimistic analyst had foreseen.

"We are facing an unprecedented economic upheaval," said Sir Donald Tsang, the territory's financial secretary, announcing the statistics. "There is no panacea that will take immediate effect."

With Hong Kong heading quickly into recession, officials unveiled measures that will attempt to ease some of the pain, although the territory's fixed exchange rate leaves the government with limited scope to loosen credit and get consumers borrowing again.

The turnaround in Hong Kong's economic fortunes took many analysts by surprise in its severity, even though a property slump, a major withdrawal by troubled Japanese banks from lending here, fast-rising unemployment and plunging retail sales have provided clues that the territory's economic health had been failing.

Many economists as well as the government had only recently come around to the idea that Hong Kong would probably be faced with recession like many of its crisis-affected neighbors.

"A crude initial assessment suggests that the gross domestic product could have suffered a decline of around 2 percent in real terms in the first quarter of 1998 over a year earlier. This was further down than the 2.7 percent

growth in the fourth quarter of 1997," the government said.

Mr. Tsang, Hong Kong's top financial official, blamed the decline on weak local consumption, a sharp drop in tourist arrivals and exports. He did not offer a forecast for full-year growth, saying it would not be made until the second quarter, but admitted that his previous forecast of 3.5 percent growth for the entire year "looks unattainable."

"Amid a still highly volatile situation both externally and locally, any assessment of the short-term outlook for the economy is subject to a large degree of uncertainty," he said.

The estimate was released after the close of markets here, but stocks may open sharply lower on Monday. After the chief executive, Tung Chee-hwa, officially raised the possibility of recession earlier this week, the stock market fell by more than 5 percent the following day, helping trigger stock market tremors around the world.

The fall may be sharp again, since one of the most bearish forecasts for Hong Kong, that of the brokerage Dresdner Kleinwort Benson, has been for "negative growth," or contraction, of 1.1 percent this year and further contraction of 2 percent next year. Unless Hong Kong stages an immediate recovery, economic shrinkage of 1 percent this year may end up looking optimistic.

Independent Strategy, a consultancy in London, has been bullish on Hong Kong for some time, and forecasts a further 33 percent fall in the Hang Seng Index based on a prediction of higher Hong Kong interest rates that it sees as necessary to defend the Hong Kong dollar and its fixed exchange rate. "Our Number One short in Asia right now is

Hong Kong equities," it said in a recent report.

Others apart from the government itself have been more recent converts to the recession scenario. At HSBC Securities, an economist, Anthony Chan, cut his 1998 forecast for Hong Kong in half—to 1 percent for this year—just last week. For the first quarter he had forecast a contraction of 1.6 percent, but then called for a recovery later in the year.

To counteract the withdrawal of lending by many troubled Japanese banks, Mr. Tsang said the government would work with banks to accelerate the use of repurchase agreements in an effort to boost liquidity. These are arrangements under which banks can lend one another securities, with an agreement that the seller will buy the paper back at a fixed price later on.

The government is also relaxing some measures imposed during the frothy real estate market, originally aimed at curbing speculation on apartments. Developers may now sell apartments before they are completed, and single purchasers can buy as much as 15 percent of any offering for sale.

To encourage tourism, badly hit by a decline in arrivals from Asia and especially Japan, it will simplify entry requirements for residents of Taiwan, and will allow more visitors from mainland China.

The release of the economic growth estimate follows a rash of dismal statistics released in the middle of a property slump that has seen many prices fall by 40 percent since the middle of last year. The resulting plunge in the property-heavy stock market has wiped out billions of dollars of personal and corporate wealth.

## IMF Says Moscow Doesn't Need New Aid Package

By Daniel Williams  
Washington Post Service

MOSCOW — The International Monetary Fund offered a measure of relief to Russia's battered economy on Friday with a recommendation to release \$670 million from a previously arranged loan, on pledges that Russia will collect more taxes and reduce government spending.

But Russian pleas for further help — at a minimum, signs that foreign governments might consider more financial aid — came up empty. It appears the country will have to rely on itself to stay out of a tailspin.

John Odling-Smee, the IMF's representative here, said Russia's planned measures to increase tax collection and cut spending would be sufficient and that the country did not need any emergency financing.

"The IMF very much welcomes" the steps, he said. "When these measures are implemented, they will allow the budget deficit to be reduced."

The IMF's stance helped send the stock market lower. The Russian/Skate

Press Stock Market General Index fell 3.75 percent, to 872.67 points. The ruble also weakened, with the dollar rising to 6.16 rubles, from 6.1580 rubles Thursday.

Pressure also came from news that Moody's Investors Service had reduced credit ratings for Russian foreign currency bonds.

The government announced plans to raise money through the sale of government stakes in major companies, including the oil giants Lukoil and Rosneft.

But in the long term, tax collection has become the focus. President Boris Yeltsin has pledged to crack down on corporate and individual evaders. He fired his chief tax collector on Friday to show he means business in collecting arrears from big companies, the rich and other scofflaws. The official, Alexander Pochinok, had been confirmed in office by Mr. Yeltsin only a month ago, although he was a holdover from the government sacked in March.

His ouster was done in Mr. Yeltsin's typical brusque and graceless fashion: Mr. Pochinok got word of his ouster

from news services. The replacement, Boris Fyodorov, was finance minister in 1993 and 1994. He favors jail for tax evaders.

Russia also faces the dilemma of how to reduce interest rates paid on short-term debt quickly. The government tripled interest rates to 150 percent this week to attract financing and curb fears of a ruble collapse. Such high interest rates create problems of their own.

High interest payouts drain the budget, leaving little money to meet wage, defense and social service obligations. Russia's budget is more or less in balance for spending on operations; it is service on a debt of about \$50 billion that creates problems.

The premium rate also lures money from the stock market and diverts investment that might otherwise go toward creation of new businesses and development of existing enterprises. Many private investors and fund managers have backed Russia's calls for cut-rate loans in order to reduce expensive borrowing.

"Russia is engaged in the formation of a debt pyramid that it can't afford,"

said Eric Straus, an analyst at Regent European Securities here. "It doesn't take a rocket scientist to see that it can't keep paying such high interest rates."

The government regarded last week's interest-rate hike as preferable to devaluation. Reducing the worth of the ruble would lead to inflation and perhaps make the course of Russia's economy less certain.

A ruble collapse would also distress the general public. Stock market crashes or expensive loans directly affect few Russians, but higher prices would be noticed by all.

Only last fall, interest rates were as low as 15 percent. Mr. Yeltsin predicted 2 percent economic growth this year and a final turnaround from six years of depression.

A mini-crisis in December forced interest rates up to nearly 50 percent; they had sunk again to the mid-twenties before last week's ruble scare. Growth will probably be flat this year, forecasters say.

For the first time, the IMF acknowledged Friday that Russia had brought up the issue of further soft loans. Former



Boris Fyodorov, new tax collector.

Finance Minister Anatoli Chubais was in Washington to lobby for moral and financial support.

The dispatch of Mr. Chubais is full of political irony. He was among ministers dismissed in March for showing a lack of energy in, among other things, collecting taxes. He is admired in Washington, however, for his commitment to the free market.

## How to Fix Russia's Ailing Economy: A Fervent Debate Deepens

By Peter Fassell  
New York Times Service

NEW YORK — Yet another emerging market economy has been forced to the brink by financial panic. And yet again, the International Monetary Fund is riding to the rescue, offering a reassuring wad of cash in return for a variety of austerity measures ranging from accelerated privatization to a crackdown on tax evasion.

Only this time around the economy at risk is Russia's, which is at once far more feeble and yet more important in geopolitical terms than the ailing Asian tigers. By no coincidence, the debate over what should be done to minimize the damage deepens a division between defenders of economic orthodoxy and experts inclined to compare the IMF to Typhoid Mary rather than the White Knight.

Many argue that allowing the ruble to tumble would undo the very modest

progress post-Soviet Russia has made in building a free-market economy. "The reformers have tied their credibility to the defense of the currency," said Robert Hormats, vice-chairman of Goldman Sachs International.

But others claim that the side-effects of propping up the ruble would be worse than the illness. "Russia is being asked to crush the opportunity for economic growth in the name of short-term market stability," said Jeffrey Sachs, director of Harvard's Institute for International Development and an adviser to the Yeltsin government until 1994.

The only way to give the Yeltsin administration a passing mark on economic reforms is to grade on a curve. Much of the economy's industrial base has indeed been privatized. Inflation is down (at least temporarily) to single digits. And while the budget deficit in the first quarter of 1998 — 4.6 percent

of gross domestic product — was high by Western standards, it was right on the track set by the bean counters at the IMF. Indeed, before this latest crisis most forecasters were predicting a modest upturn in national output this year.

What hasn't been done, though — or has been done badly — haunts a government that has badly tried the patience of the electorate. Mr. Sachs distinguishes between the rapid privatization of manufacturing enterprises and the sale of natural resources, notably oil and gas reserves. The former was generally desirable, since the only hope for sustaining inefficient enterprises was to introduce free-market incentives. But the "virtual giveaway of hundreds of billions of dollars in natural wealth deprived the state of desperately needed revenues and created a powerful class of robber barons," he argued.

The search for revenue has compounded Moscow's problems, suggests Richard Medley, a New York-based ad-

viser on financial risk management.

Under pressure from the IMF, tax rates were set high — "so high," said Mr. Medley, "that no one can afford to pay them." As a result, tax evasion has become the norm and otherwise legitimate businesses have been forced to go underground.

While the proximate cause of the flight of capital last week was the failure of the new reformist government to sell off the assets of the oil enterprise RAO Rosneft for \$2 billion, no one doubts that the stage was set by the continuing financial troubles in Asia. With South Korea and Thailand still limping badly and Indonesia caught in its most serious crisis in three decades, experts have been waiting for the shoe to drop on the emerging economies of the former Soviet Union.

To some, the failure of the fundamentally strong Asian tigers to bounce back suggests that the IMF has prescribed the wrong medicine. Robert

Wade, a visiting scholar at the Russell Sage Foundation, argues the high interest rates and tight fiscal policy that the IMF has demanded as a means of restoring confidence in the Asian currencies is destroying indebted, but otherwise healthy, businesses.

"The IMF spends too much effort defending old orthodoxies — not to mention the interests of Asia's foreign creditors," he said.

For Mr. Wade and Mr. Sachs, then, the big question is whether the IMF is once again applying flawed priorities and policies. In the last three years, noted Mr. Sachs, Russia's domestic inflation has outpaced the depreciation of the ruble, effectively increasing the ruble's purchasing power abroad by 35 percent.

That had made the ruble ripe for adjustment. Yet the IMF is encouraging the Yeltsin government to invest its dwindling credibility and foreign currency reserves in a last-ditch defense of the exchange rate.

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Canada	1.203	0.70	—	—	—	—	—	—	—
France	1.639	—	—	—	—	—	—	—	—
Germany	151.52	24.91	—	—	—	—	—	—	—
Italy	1,381.0	246.0	—	—	—	—	—	—	—
Japan	110.10	—	—	—	—	—	—	—	—
UK	0.693	—	—	—	—	—	—	—	—
US	—	—	—	—	—	—	—	—	—
Other Dollar Values									
Argentina	0.0099	—	—	—	—	—	—	—	—
Australia	1.5071	—	—	—	—	—	—	—	—
Canada	1.203	—	—	—	—	—	—	—	—
France	6.5595	—	—	—	—	—	—	—	—
Germany	1.639	—	—	—	—	—	—	—	—
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90-day	1.2825	—	—	—	—	—	—	—	—
180-day	1.2871	—	—	—	—	—	—	—	—
360-day	1.2917	—	—	—	—	—	—	—	—

## ECONOMIC SCENE

### U.S. Towns Bank on Their Own Currencies

By Edward A. Gargan  
New York Times Service

WILLIMANTIC, Connecticut — At the end of a 60-foot mahogany bar under a celestial 21-foot ceiling, Cindy Wolner watched the final lunchtime stragglers seep out of her new restaurant and fingered a few bills, part of the afternoon's take.

The image on the lavender notes was not a portrait of George Washington, or even Thomas Jefferson, but an engraving of a covered wagon and three pioneers; the bills' motto declared not "In God We Trust," but "In Community We Trust."

"It's real money in this town," said Ms. Wolner, who runs her restaurant, the Willimantic Brewing Co., in a gray granite monolith that once was a post office. "It's worth 10 real dollars."

Even as much of Europe is moving to rip down national monetary systems with the creation of the euro, a currency

that is scheduled to start circulating in 11 European countries in 1999, a small but growing number of communities in the United States and Canada are digging small monetary moats around their towns and villages.

In more than 60 municipalities, groups of citizens, some with broad political agendas to increase local activism, others looking to keep money in their economically troubled communities, have begun printing and issuing their own currency.

In Hot Springs, North Carolina, much business is done in Mountain Money. In Halifax, Nova Scotia, there are Maritime Hours. In Botinas, California, a bit of trading is done in Sand Dollars.

Here in New England, as well as in New York state, a peppering of towns have well-entrenched systems of local currencies or, in some cases, fledgling efforts just taking shaky wing.

"This is a way people are using to rebuild communities without going to

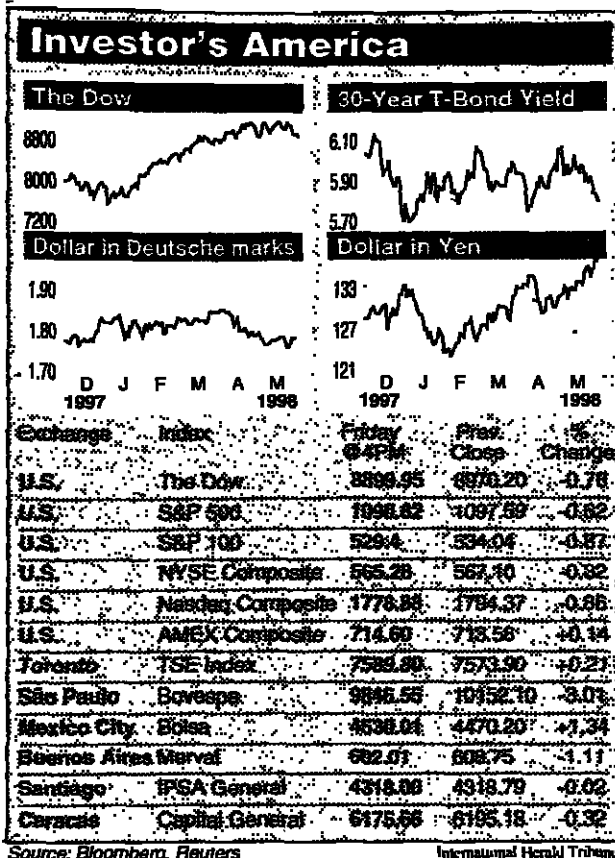
Washington, or to their local governments," said Lewis Solomon, a law professor at Georgetown University who has studied both the economics and legalities of local currencies.

"The foundation of this is that the U.S. currency is not backed by gold, but by trust. In the same way, local currencies are backed by community trust, by goods, and services in the community."

Crucially, Mr. Solomon said, such currency systems are perfectly legal in the United States, because there are no laws, barring citizens from issuing their own currencies in their communities. But the Internal Revenue Service requires that all earnings in these currencies be declared in U.S. dollars for tax purposes.

Willimantic sits hard against the rush of the spring-swollen Willimantic River. In the last century, that river brought industry here, its waters driving the great water wheels of American





## Mark Slips Over IMF's Russia Aid

**NEW YORK** — The dollar rose against the Deutsche mark Friday after the International Monetary Fund failed to go as far as had been hoped in its role as Russia's economic savior.

On completion of a review of the beleaguered Russian economy, IMF officials in Moscow recommended that an installment on an existing loan package be released. But the Fund said new loans would not be necessary.

This reawakened fears that market turmoil would continue and that the troubled ruble would remain a

### FOREIGN EXCHANGE

devaluation target for some time to come. "Trouble in Russia tends to weigh on the Deutsche mark because Germany has extensive economic ties with Moscow."

"Russia has been on everyone's mind for the entire week," said Kevin Lawrie, global foreign exchange manager at Mellon Bank.

The dollar was quoted at 4:00 P.M. at 1.7860 DM, up from 1.7810 DM Thursday. The dollar was quoted at 5.9710 on Thursday, and at 1.4844 Swiss francs, up from 1.4758. The pound was quoted at \$1.6302, up from \$1.6280.

The dollar also has been drawing funds since Pakistan conducted nuclear tests on Thursday.

"Uncertainty favors the dollar, so until you see things subside around the globe — Pakistan, Russia, you name it — the dollar is going up," said Robert Fulmer, head currency salesman at NatWest Global Financial Markets.

The dollar rose against the yen after data showed that Japan's jobless rate rose to a post-World War II record, underscoring the country's gloomy economic prospects. The unemployment rate jumped to 4.1 percent in April as companies that faced slumping sales eliminated full-time jobs.

The dollar was quoted at 138.85 yen, up from 138.75 Thursday.

"It will be difficult to reverse the yen's weakness as long as Japan's interest rates remain low and its economic ills aren't adequately addressed," said John Monckton, an asset manager at Legal & General Investment Management in London.

But in Tokyo, Finance Minister Hikaru Matsunaga said Japan was watching the yen with "strong concern" and would take "decisive" measures to stem its decline.

(Bridge News, Bloomberg)

## An Index of Good and Bad News From Asia

By John M. Berry  
Washington Post Service

**WASHINGTON** — Asia is sending a message on commodities prices, and it is good news for inflation and consumer spending power, but bad news for corporate profits.

Six years ago, when the United States was plagued by a slow, halting recovery from the 1990-91 recession and the U.S. jobless rate was nearing 7 percent, commodities prices were going nowhere.

This week, with unemployment at 4.3 percent and economic growth over the past 18 months only a notch below 4 percent, the Journal of Commerce index of industrial commodities prices was almost precisely where it was in May 1992. So what gives?

As usual in economic matters, the answer is a complex mixture. At this time, the elements are economic turmoil in Asia, massive investment in new production capacity in the United States and other parts of the globe, and heightened competition among producers. The high value of the U.S. dollar, the currency in which many commodities prices are quoted in world trade, has also played a role.

The 17 industrial commodities prices in the Journal of Commerce's closely watched index fluctuated within a limited range in 1992 and 1993, then took off as U.S. economic growth surged in 1994. In response, the Federal Reserve Board doubled its target for short-term interest rates to 6 percent from 3 percent in a successful effort to cool things off.

That cooling, which had more than a few analysts predicting that a recession would hit in 1995, capped commodities prices, but without

triggering a slump. Remarkably, when U.S. growth strengthened in 1996, commodities prices did not turn upward again. Instead, they began a steady slide that turned into a plunge in the autumn when the economic and financial troubles in Asia reached the boiling point.

The drop in commodities prices has played a major role in holding down U.S. inflation and has allowed the Fed to hold interest rates steady in the face of rapid growth and the lowest unemployment rates in nearly three decades.

Analysts at International Strategy & Investment, a New York financial advisory and money-management firm, regularly survey companies in a range of industries, including manufacturing, about the strength of demand for their products and their "pricing power." On a scale of zero to 100, firms are asked to rate their ability to increase prices and make the higher prices stick.

This week, International Strategy & Investment told its clients that its survey of manufacturing companies showed that their pricing power "has collapsed." The reading fell to 12.5, a level about half what it was at the beginning of the year and far below a peak of more than 60 early in 1995.

"This is good news for inflation and real consumer pricing power," the firm said. "But

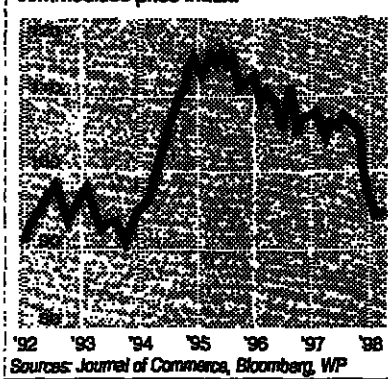
it's bad news for corporate profits, capital spending and eventually employment. The message out of Asia is 'overcapacity': supply exceeds demand."

The same message is being spelled out by other commodities price indexes, such as the other commodities prices index, such as the Bridge Commodities Research Bureau index, which reached a four-and-a-half-year low this week. Like the Journal of Commerce index, it covers 17 commodities, but with heavy weights for agricultural products.

With growth slowing sharply in China, Singapore and Hong Kong, at a standstill in Japan, and collapsing in South Korea and Indonesia, commodities prices are being affected not just by the current level of demand but also by traders' perceptions of what lies ahead. The region, which appeared to be on the verge of stabilizing, has taken another turn for the worse — and taken commodi-

### Falling Prices

Journal of Commerce industrial commodities price index.



### Very briefly:

• BankBoston Corp. agreed to pay \$800 million for BankAmerica Corp.'s securities unit, Robertson Stephens, to pick up clients in fast-growing industries.

• AlliedSignal Inc. plans to repurchase as much as \$2.2 billion of its common stock during the next two years, using cash flow from operations to finance the buyback. The company said that at the stock's current price, which was at \$43.37 in late trading, repurchasing shares was more attractive than most acquisition opportunities.

• Toyota Motor Corp. of Japan plans to export its new gas-electric hybrid car to the United States by the end of 2000. The Prius, which can get 66 miles to the gallon in test drives, is powered by electricity at slow speeds and switches to gasoline at higher speeds.

• Price Waterhouse and Coopers & Lybrand LLP announced that the name of their combined company, the world's biggest accounting firm, will be PriceWaterhouseCoopers. The new name will take effect July 1. The companies received final European Union clearance for their planned merger on May 20.

• Ameritech Corp. and the International Brotherhood of Electrical Workers have reached a tentative, five-year contract a month before the expiration of the current agreement, the union said.

### Bay Networks Plans to Restructure

Bloomberg News

**SANTA CLARA, California** — Bay Networks Inc. said Friday it would restructure its business units to cut costs amid concern the struggling computer-networking company would have difficulty meeting earnings expectations for the quarter.

Bay will combine its Internet and Telecom Business Group, which sells computer switches and routers to phone companies and Internet service providers, and its Enterprise Business Group, which sells to large corporations.

## Long-Term Profit Outlook Dogs Wall Street

Compiled by Our Staff From Dispatches

**NEW YORK** — Stocks finished mixed Friday amid growing worries about how much the political and economic turmoil in Asia will hurt American business.

The Dow Jones industrial average closed down 70.25 points at 8,899.95 and the Standard & Poor's 500 index finished 6.77 points lower at 1,090.82. But advancing issues outnumbered declining ones by a 7-to-5 ratio on the New York Stock Exchange.

"Things have to calm down in Asia before investors become more aggressive," said Joseph E. Stocke, a money manager at Meridian Investment Co.

Short-term investors are concerned that global events like the tensions between India and Pakistan or the Asian economic crisis could heat up over the weekend when U.S. stock markets are closed, traders said.

"It's the weekend," said Doug

Myers, a trader at Interstate/Johnson Lane in Atlanta. "If you're an investor, you're looking to reduce your potential exposure to risk."

The Treasury bond market was the beneficiary of the overseas jitters as investors sought a safe place

### U.S. STOCKS

to park funds. The price of the benchmark 30-year issue rose 9/32 point, to 104 16/32, sending the yield down to 5.80 percent from 5.82 percent Thursday.

Technology stocks were the big losers, since many of those companies have extensive Asian exposure. International Business Machines fell 1 1/16 to 118 1/4, Intel lost 2 1/16 to 71 1/16 and Dell dropped 2 7/32 to 82 1/32.

AT&T fell 5/8 to 18 on concern that the company's sales of materials used to make computer chips will be hurt by Asia's economic

problems and a slowing semiconductor market.

The Nasdaq composite index closed down 15.73 points at 1,778.89.

Icos was the most actively traded U.S. issue, rising 4 1/16 to 21 1/16 after Business Week, citing Medical Technology Stock Newsletter, said the biopharmaceutical company's anti-impotence pill had fewer side effects than Viagra.

Pfizer, which makes Viagra, fell 1/4 to 104 1/4.

Centocor fell 2 3/4 to 39 as investors questioned the potential of the company's Avakine drug, which on Thursday won the backing of an expert government panel.

Boston Chicken dropped 1 3/16 to 2 1/32 after its independent auditor said there was substantial doubt about the ability of the operator of Boston Market restaurants to continue as a going concern.

Union Pacific fell 1/4 to 48 1/2 after

the largest U.S. railroad company said it would post a loss for the second quarter, a surprise to analysts who had been expecting strong earnings.

Remtec fell 6 1/4 to 14 1/4 as the designer and manufacturer of microwave systems warned investors and analysts that some of its commercial wireless customers were delaying orders and that revenue has slowed.

Access Health fell 1/4 to 25 1/4 as one of its major clients, Humana, is being acquired by United HealthCare, raising concern that the health-information and management-services provider could lose some business.

Carnival fell 1 1/16 to 67 11/16 after the world's largest cruise operator said it had completed its acquisition of the Cunard Line.

Dow Jones rose 1 3/16 to 48 1/4 as the business-news and information provider said it would buy back as much as \$300 million of its shares.

(Bloomberg, AP)

### AMEX

#### Friday's 4 P.M. Close

The 300 most traded stocks of the day, up to the closing on Wall Street.

The Associated Press.

Stock	Price	High	Low	Open	Close
IBM	104 1/8	104 1/2	104 1/8	104 1/8	104 1/8
Microsoft	56 1/4	56 3/4	56 1/4	56 1/4	56 1/4
Oracle	34 1/2	34 3/4	34 1/2	34 1/2	34 1/2
Intel	71 1/16	71 3/8	71 1/16	71 1/16	71 1/16
HP	34 1/2	34 3/4	34 1/2	34 1/2	34 1/2
Cisco	48 1/2	48 3/4	48 1/2	48 1/2	48 1/2
Sun	34 1/2	34 3/4	34 1/2	34 1/2	34 1/2
Motorola	24 1/2	24 3/4	24 1/2	24 1/2	24 1/2
Verizon	24 1/2	24 3/4	24 1/2	24 1/2	24 1/2
AT&T	18 1/2	18 3/4	18 1/2	18 1/2	18 1/2
Comcast	18 1/2	18 3/4	18 1/2	18 1/2	18 1/2
Time Warner	18 1/2	18 3/4	18 1/2	18 1/2	18 1/2
News Corp.	18 1/2	18 3/4	18 1/2	18 1/2	18 1/2
Disney	18 1/2	18 3/4	18 1/2	18 1/2	18 1/2
Walt Disney	18 1/2	18 3/4	18 1/2	18 1/2	18 1/2
Amgen	18 1/2	18 3/4	18 1/2	18 1/2	18 1/2
Genentech	18 1/2	18 3/4	18 1/2	18 1/2	18 1/2
Novartis	18 1/2	18 3/4	18 1/2	18 1/2	18 1/2
Roche	18 1/2	18 3/4	18 1/2	18 1/2	18 1/2
Schering	18 1/2	18 3/4	18 1/2	18 1/2	18 1/2
Glaxo	18 1/2	18 3/4	18 1/2	18 1/2	18 1/2
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Novartis	18 1/2	18 3/4	18 1/2	18 1/2	18 1/2
Roche	18 1/2	18 3/4	18 1/2	18 1/2	18 1/2



ts Museums  
and Kunsthalle

# Unemployment in France Declines to 11.9%

**PARIS** — Unemployment in France fell to a two-year low of 11.9 percent in April, statistics issued Friday showed, as quickening growth prompted companies to hire.

The jobs lost total fell by 13,100 people, or 0.4 percent, from March, to 2,976,700, the Labor Ministry said. It was the eighth consecutive monthly decline and put the jobless rate at its lowest level since January 1996.

The Socialist government that came to power in June 1997 has taken credit for the improvement in the economy in the past year, with economic growth aimed at 3 percent for 1998.

But the unemployment rate remains one of the highest in Europe, and the Organization for Economic Cooperation and Development is forecasting an average jobless rate of 11.9 percent for the year, although this is below the 12.4 percent rate registered in 1997.

The government has said reducing unemployment is a priority, but the decline so far has been slow.

Nonetheless, recent reports have shown an increase in consumer spending, and a separate report Friday showed that bankruptcies fell 28 percent in March from February, with fewer companies in all industries going out of business.

"Everywhere we see confirmation of strong growth," said Jean-Philippe Dauvin, chief economist of STMicroelectronics NV, Europe's second-biggest computer-chip maker — which plans to hire more people in France this year.

The government has committed itself to hiring 350,000 people under the age of 30 in five years and it has pledged to cut the workweek to 35 hours from 39 — a move it says will force companies to hire more people, although even the most optimistic forecasts say this will only shave about one percentage point off the jobless rate.

The French economy created

73,000 jobs in the first quarter, the most in a decade. That compares with 373,000 jobs created in the same period in the United States, five times more than in France for a population that is four-and-a-half times bigger.

Much of the growth so far has come in temporary jobs. "Many French employers use short-term contracts to get around rigid labor laws and high costs," an analyst said.

Manpower Inc., a temporary-work agency, said the number of requests for temporary workers rose 41.2 percent in April from the year-earlier period, and were up 16 percent in the first four months of the year.

## BNP Links U.S. Unit to Hawaii Bank

**PARIS** — Banque Nationale de Paris agreed Friday to combine its BancWest Corp. unit with First Hawaiian Inc. in a \$1 billion transaction, expanding its presence outside France and creating a way to make U.S. acquisitions.

First Hawaiian said it would pay BNP 25.9 million shares for all of BancWest, BNP's holding company for Bank of the West, California's fifth-largest bank. That gives BNP a 45 percent stake in First Hawaiian, which will be renamed BancWest.

The value of the transaction is based on First Hawaiian's average stock price over the previous 10 days.

The combined company will have \$14 billion of assets, 205 branches and 800,000 customers in Hawaii, Northern California, Oregon, Washington, Idaho, Guam and Saipan. It allows BNP to further diversify from consumer banking at home, where overcapacity and stiff competition have squeezed profit margins.

"With the French retail market offering so little scope for expansion and profitability, BNP is looking elsewhere for profit," said Stephane Arrouays, a banking analyst with Natwest Securities.

The combination with First Hawaiian will allow France's third-largest bank to develop in the western United States and the Pacific region.

The combination is expected to cut \$41 million in annual expenses after the merger, or 9 percent of the total. The combined company will cut 400 jobs, or 8 percent.

BNP also offered Friday to buy the remaining 55 percent of its other foreign retail bank, BNP Intercontinental, which operates in the Middle East and the Pacific area, for 1.1 billion francs (\$184 million) in cash and stock.

Investor's Europe			
Frankfurt DAX	London FTSE 100 Index	Paris CAC 40	
5400	5200	4200	
5300	5100	4100	
4700	5000	4000	
4500	4900	3900	
4300	4800	3800	
4200	4700	3700	
1997	1997	1997	
Exchange	Index	Friday Close	Prev. Close
Amsterdam AEX	1,198.50	1,198.50	+0.83
Brussels BEL-20	3,250.72	3,251.37	+0.60
Frankfurt DAX	5,569.08	5,681.26	+0.91
Copenhagen Stock Market	748.31	741.56	+0.91
Helsinki HEX Generali	4,827.72	4,789.24	+0.80
Oslo OBX	687.41	688.11	-0.10
London FTSE 100	5,870.70	5,862.90	+0.14
Madrid Stock Exchange	875.26	877.79	-0.29
Milan MIBTEL	23935	23996	-0.26
Paris CAC 40	4,041.16	4,014.92	+0.65
Stockholm SX 16	4,147.04	4,138.02	+0.22
Vienne CAC 40	1,585.91	1,586.62	-0.17
Zurich SPI	4,823.96	4,788.31	+0.72

## Danes Lower Rates After Vote on EU

**COPENHAGEN** — Denmark's central bank surprised financial markets Friday by cutting key interest rates by a quarter percentage point the day after Danes voted in a referendum to back an EU treaty.

The bank lowered the certificate of deposit and repurchase rates, with which it fine-tunes short-term interest rates and liquidity in the banking system, by 0.25 point, to 4 percent, with immediate effect.

It also cut its discount rate to 3.75 percent from 4.00 percent.

"The clarification of the situation after the referendum creates conditions for cutting the central bank's rates," the central bank said in a statement.

Danes voted Thursday to ratify the Amsterdam Treaty — a blueprint for the EU's future as it prepares to take in new members — by 55 percent to 45 percent.



**BRANSON ON THE MOVE** — The British entrepreneur Richard Branson in Rome on Friday with a Fiat tilting train of the sort that he is buying for Virgin Rail in Britain. He also said Virgin Express, his short-haul airline based in Brussels, would open a second hub in Rome.

Some analysts had expected the central bank to hold off lowering rates until after the government unveiled an austerity package, which was expected to trigger an inflow of foreign currency.

"It was a swift move and you can say that in that respect it surprised us slightly," said Jens Davskov, chief analyst at Den Danske Bank.

Prime Minister Poul Nyrup Ras-

mussen said the cut was a signal of central bank confidence after the referendum, and of its expectation that the government would stand by the responsible economic policy conducted so far.

## WORLD STOCK MARKETS

**Friday, May 29**  
Prices in local currencies.

**Amsterdam** AEX index: 1198.50  
Prev.: 1197.40

**Bombay** S&P 30 index: 2271.95  
Prev.: 2271.95

**Brussels** BEL-20 index: 3250.72  
Prev.: 3251.37

**Copenhagen** CSE index: 748.31  
Prev.: 741.56

**Frankfurt** DAX index: 5569.08  
Prev.: 5681.26

**Helsinki** HEX index: 4827.72  
Prev.: 4789.24

**London** FTSE 100 index: 5870.70  
Prev.: 5862.90

**Madrid** IBEX 35 index: 875.26  
Prev.: 877.79

**Milan** MIB index: 23935  
Prev.: 23996

**Oslo** OBX index: 687.41  
Prev.: 688.11

**Paris** CAC 40 index: 4041.16  
Prev.: 4014.92

**Stockholm** SX 16 index: 4147.04  
Prev.: 4138.02

**Vienne** CAC 40 index: 1585.91  
Prev.: 1586.62

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**High Low Close Prev.**

**Amsterdam** AEX index: 1198.50  
Prev.: 1197.40

**Bombay** S&P 30 index: 2271.95  
Prev.: 2271.95

**Brussels** BEL-20 index: 3250.72  
Prev.: 3251.37

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**Helsinki** HEX index: 4827.72  
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**London** FTSE 100 index: 5870.70  
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**Madrid** IBEX 35 index: 875.26  
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## Very briefly:

- Fortis, a Belgian-Dutch bank and insurer, said it would not sell its 35-percent stake in Generale de Banque SA of Belgium to ABN-AMRO Holding NV, which has made a \$12.1 billion stock-and-cash offer for the bank, outbidding Fortis's \$10.6 billion all-stock offer.
- Commerzbank AG's first-quarter pretax profit rose 16.7 percent, to 962 million Deutsche marks (\$540.1 million), led by gains in interest and commission income.
- Germany's new orders to the plant and machinery industry fell an inflation-adjusted 8 percent from a year earlier in April, their first decline in 11 months, as both export and domestic demand slowed after surging at the beginning of the year.
- Portugal's finance minister, Antonio Sousa Franco, said the privatization of the country's two bourses in Lisbon and Oporto should be completed by the beginning of 1999.
- ProSieben Media AG, a German television broadcaster, said net profit slipped 38.49 percent last year, to 104 million DM.
- Unigate PLC, Britain's second-largest milk processor, ended talks to buy Hilldown Holdings PLC for £1.6 billion (\$2.6 billion), saying it could not agree on future prospects for the business.

## The Trib Index

Jan. 1, 1982 = 100

World Index: 193.08

Regional Indices:

Asia/Pacific: 85.36

Europe: 234.19

N. America: 243.10

S. America: 139.59

Capital Goods: 240.45

Consumer Goods: 226.16

Energy: 213.14

Finance: 140.50

Miscellaneous: 150.13

Raw Materials: 204.04

Services: 201.37

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Continued on Page 16

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ASIA/PACIFIC

# Tokyo Postpones Digital TV Start

**Reuters**  
TOKYO — Japan has decided to delay the official launch of digital television broadcasting by three years to 2003, officials said Friday.

After a year of debate, the Posts and Telecommunications Ministry said it expected stations to start digital service in the Tokyo, Osaka and Nagoya urban areas by 2003 and in other areas by 2006. It called on stations to start experimental service in the Tokyo area in 2000.

The ministry said it delayed the official launch because of the high cost of switching from analog service.

"We acknowledge difficulties broadcasters face in investing," an official said, saying that capital spending could total 1 trillion yen (\$7.3 billion).

The launch date is sensitive because digital television will provide opportunities for other high-technology companies.

# Seoul Turns Up Heat on Labor Leaders

**By Don Kirk**  
*International Herald Tribune*

ULSAN, South Korea — In a sharp escalation of South Korea's labor conflict, the government said Friday that it would round up and prosecute 143 union leaders for this week's nationwide general strike, while the unions retaliated by announcing fresh strikes in less than two weeks.

"We will have a long battle and strike this summer," said Chun Chang Soo, vice president of the Ulsan Council of the Korean Metal Workers' Federation, part of the militant Korean Confederation of Trade Unions, the umbrella group for about 600,000 workers in South Korea.

"There will be violence again on the streets of Ulsan," Mr. Chun warned. He was referring to the confrontations between thousands of workers and policemen that shook this industrial city on South Korea's southeastern coast in the late 1980s and early 1990s.

Union leaders here vowed that the workers would conduct a tough,

open-ended strike beginning June 10 in a campaign not only to stop dismissals of 8,000 Hyundai workers but also to force the government to increase unemployment pay.

Galvanized by a summons for the arrest of the Hyundai union chief, Kim Kwang Shik, as the main force behind the walkout on Wednesday and Thursday, union militants responded with a call to factory barricades as early as next week if the government actually makes good on its threat.

A spokesman for the Prosecutor General's Office said, "If the 143 people refuse to continue responding to summonses, prosecution authorities will take out arrest warrants for them, investigate and indict them."

More than 100,000 workers staged a crippling general strike Wednesday and Thursday, shutting down production of South Korea's export industries. Unions are demanding an end to plans for massive layoffs and are calling on the nation's huge conglomerates to make sacrifices themselves before dismissing workers.

At risk in new strikes, besides the high potential of violent social conflict, are the growing doubts among foreign investors that Seoul will be able to make the necessary reforms in its labor markets and debt-laden corporations to turn the country's insolvent economy around.

Hyundai executives said they still hoped to persuade union members of the need to dismiss some workers for the good of the majority.

In the executive offices overlooking the sprawling facility where Hyundai produced its first cars 30 years ago, Chung Dal Ok, senior vice president in charge of the plant, said he hoped workers would eventually understand that "many more will suffer" unless some lose their jobs.

"To prevent our situation from getting worse, we have to take action," said Mr. Chung, acknowledging a "terrible" market performance by most Hyundai cars.

The company, Korea's leading motor vehicle manufacturer, has dropped its production target this year to 900,000 vehicles, he said, after having produced 1.1 million

vehicles in 1997. After netting only \$50 million last year, he added, the company will go into the red this year.

Only one assembly line, that of the Atoz mini-car, was humming both night and day, said Mr. Chung, while some lines were moving only three days a week or less. Domestic sales are down 45 percent since January.

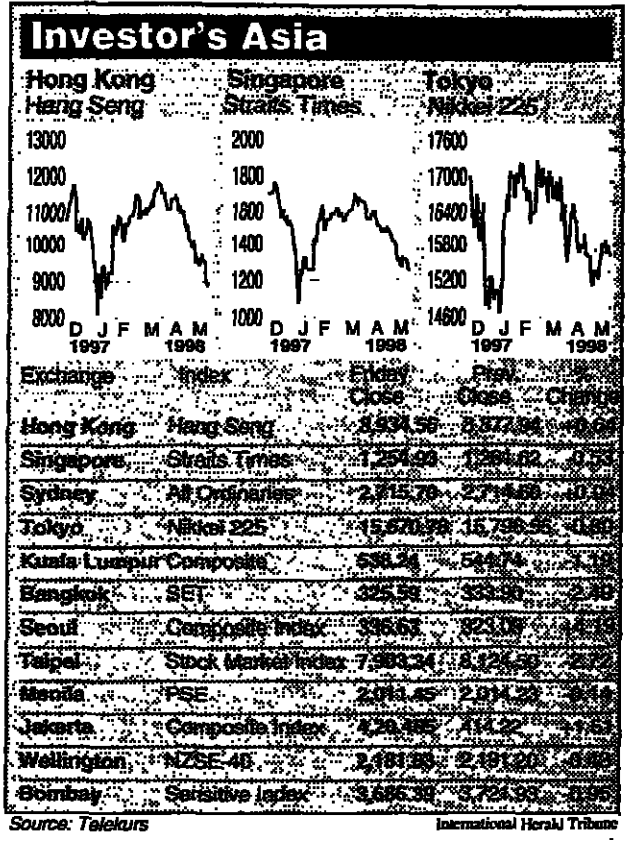
"We have to improve our quality as well as our manufacturing costs," Mr. Chung said. "Right now, we have a morale problem, but that will change soon."

Mr. Chung meets Monday with Kim Kwang Shik and other leaders of the Hyundai Motor union, but there was little chance he would win acquiescence to layoffs.

**Daewoo Talks on Bank Buy**

Daewoo Group is seeking to acquire ailing Korea First Bank, a local paper said, Reuters reported.

The Seoul Shinmun Daily's Saturday edition, seen late on Friday, said Daewoo was in talks with the South Korean government to acquire Korea First Bank.



# JAPAN: Fewer Jobs, Increasing Economic Woes

**Continued from Page 1**

ations within Asia, as other Asian countries seek to weaken their currencies to compete against Japanese exports or economic pressures bring about such devaluations.

"It certainly could get to 150," said Peter Morgan, an economist at HSBC Securities Japan Ltd. "The fundamentals don't look close to a reversal" in the currency trend, he added.

Meanwhile, Parliament finally passed bills Friday that will relax the fiscal austerity law and allow the government to spend more on the economy and implement tax cuts to spur growth. As part of an economic package worth more than \$120 billion, public money will start trickling into the economy over the summer, and officials are counting on it to alleviate the economic problems.

The figures released Friday make Japan's official unemployment rate nearly as high as that in the booming American economy. But Japan's rate is calculated such that anyone who has worked for even one hour in the final week of the

month is considered fully employed. Thus, some economists say that unemployment, if calculated according to American methods, could actually be twice as high.

After the record unemployment statistic was released, "We are in the early stage of a deflationary spiral," yields on the benchmark 10-year bonds fell to an all-time low of 1.19 percent.

Economists say Japan does not yet seem to have entered a deflationary spiral but is moving rapidly toward it.

Corporate profits and housing starts are falling, inventories are rising, and the government released statistics Friday on consumer prices that, if adjusted to be comparable to those of last year, show a slight dip.

The fear is that declining prices would lead to even lower profits, rising unemployment and weak investment by corporations. This in

turn would further hamper overall demand and consumption, which would then help further depress prices.

"I think we are in the early stage of a deflationary spiral," said Haruo Shimada, an economics professor at Keio University. "It may very well come this year."

The Economic Planning Agency, the government's economic policy-making arm, also may finally public acknowledge, possibly next month, that the economy is in a "downward phase," according to a report in the Yomiuri Shinbun, a leading national Japanese daily.

Economists have been pointing out for months that the economy already is in a recession, but until now the government has been describing the economy as simply "sluggish" with the "severity getting worse."

The uncertainty means that while about \$120 billion is expected to flow into the economy soon from a fiscal stimulus announced by Prime Minister Ryutaro Hashimoto, there are already murmurs about the need for another stimulus package.

# MONEY: Towns Bank on Their Own Currencies

**Continued from Page 11**

Thread Co., once one of the nation's largest thread makers. But in the 1980s, the last of the mills closed.

A group of citizens decided that they should do something besides wait for the state to pump millions of dollars into the town. So last summer, Donna Nicolino, the director of a local arts council, gathered about a dozen people, including a business consultant, the manager of the local food cooperative and some faculty members from the local college, Eastern Connecticut State University, and decided to print their own money. They called it Thread City Bread.

"There were a lot of businesses opening up on Main Street and then closing down," Ms. Nicolino said. "It's hard to be a small business person in this town. So we thought this was a way to keep the wealth in the community."

Most systems using local currencies peg each unit, also called hours, at a value of \$10, roughly keyed to double the minimum wage.

Under the system of local money used in Willimantic and elsewhere, the local currency is distributed in a rigidly controlled manner to businesses and service providers who agree to participate. Those businesses can give change in Thread City Bread to willing customers.

The businesses will also accept the local currency for up to 100 percent of their goods and services.

The business people often use the local currency in one another's businesses, much like a barter system. "This is to let people know that they have some alternative to the dollar economy if that isn't working for them," Ms. Nicolino said.

For business people like Ms. Wollner, the restaurant owner who is one of the leaders of the Downtown Business Council, which represents the interests of local merchants, spending the local currency they take in is not necessarily easy because not all businesses accept it.

A local directory lists about 100 businesses and individuals who will take the bills. Ms. Wollner recently

found a landscaper who would take 25 percent of his fee in the currency.

Willimantic's experiment with local currency is barely a year old and some people there think it has a long way to go before it is widely accepted. In Ithaca, however, the system is deeply embedded in the community.

Founded by a bearded, graying environmentalist named Paul Glover, the Ithaca Hours currency is accepted at more than 350 businesses in the town of 30,000 people.

"We're looking for control over our local economy," Mr. Glover said.

"People are less comfortable with control of their economy by distant elites who will invest or disinvest at the snap of a finger without concern for the fate of communities."

So far, there are the equivalent of \$65,000 in Ithaca Hours in circulation.

Monica Hargraves, a former economist at the Federal Reserve Bank, who is a key member of the Ithaca Hours advisory board, said, "It's true that holds the system together, the confidence that people will accept Ithaca Hours."

# Very briefly:

- Mitsubishi Chemical Corp.'s group net profit was 5.6 billion yen (\$40.9 million) in the year that ended March 31, compared with a loss of 11.97 billion yen the previous year. Aggressive cost cuts offset a 3 percent decline in parent sales, to 1.05 trillion yen, but the company warned that gains would slow this year due to the Asian economic crisis and domestic stagnation.
- Japan's Parliament enacted economic stimulus legislation, including income tax cuts totaling 4 trillion yen over the next two years and a delay in budget cuts.
- Thailand's trade surplus shrank to \$1.12 billion in March from \$1.14 billion in February, the central bank said, while manufacturing output dropped 21.2 percent from March 1997.
- China's Civil Aviation Administration has ordered domestic airlines to restrict expansion, but an official refused to say whether carriers would need to cancel or delay plane orders.
- OzEmail Ltd. shares finished at 3.30 dollars (\$2.05) on the first day of domestic trading for the Australian Internet service provider. The 3 million shares had been priced at 2.57 dollars.
- Malaysian Airline System Bhd. posted a loss of 259.9 million ringgit (\$67.4 million) in the year ended March 31, compared with a profit of 333 million ringgit the previous year, as foreign-exchange losses totaled 718.4 million ringgit.
- Japanese vehicle exports rose 4.9 percent in April, to 380,113 units, from a year ago.

# JAL Says It Expects to Reverse Loss

**Reuters**  
TOKYO — Japan Air Lines Co. said Friday it expected to post a profit this year after announcing a wider loss for the period just ended.

The airline posted a loss of 94.19 billion yen (\$67.9 million) for the year ended March 31, compared with a loss of 9.24 billion yen a year earlier. The results are for the parent company.

JAL said it aimed to post a profit this year by focusing on its core business and selling some of its affiliated hotels.

# INDONESIA: Suharto's Corporate Empire Begins to Crumble

**Continued from Page 1**

On one front, he said procedures for approving investments would be streamlined, ending a long tangle of red tape that allowed Mr. Suharto's family members to step in as silent partners, at huge fees, to smooth the way.

On a second, he said tax holidays would be made public and would be available on the basis of merit, rather than being handed out, as in the past, as presents to Mr. Suharto's family members.

On a third, he said factories would be allowed to open anywhere, as long as land regulations were obeyed, rather than being restricted to special industrial zones owned by favorites of the Suharto family.

These moves were announced as the Asia director for the International Monetary Fund, Hubert Neiss, met with government officials and public figures here to assess the prospects for a resumption of disbursements of a \$40 billion aid package that was suspended last week.

The moves accorded with the thrust of reforms demanded by the international community to bring fairness and openness to an economy that has been drained by what Indonesians — including Mr. Habibie — are now calling a system of "corruption, collusion and nepotism."

"We can only hope things will develop in the best way," Mr. Neiss said. "We are concerned with reversing the economic decline and alleviating the hardships that this imposes on the people."

Economic analysts said this would be a long process. Even with the institution of reforms, they said, bank-ruptions, bank closures, unemployment, inflation, rising prices and food shortages would squeeze the country's 210 million people for months and years to come.

These hardships gave added energy to the push for recovery of the Suharto money and the removal of his children from positions of influence, and a number of family holdings came under pressure this week.

The accumulation of anti-Suharto initiatives this week seemed to signal the start of an accelerating revolution against the country's entrenched power structure.

On Thursday, the central bank, Bank Indonesia, ordered the government to take control of Bank Central Asia, which is owned by Mr. Rukmana's wife, Siti Hardiyanti Rukmana, and her oldest brother, Sigit Hardijudanto, as well as by Mr. Suharto's close friend, Liem Sioe Liong.

Branches and automatic teller machines of the bank had been prime targets of rioters two weeks ago, and nervous depositors staged a run on the bank this week as they saw the Suharto family

name turning from a financial guarantee into a liability.

In other attacks on the family's sources of wealth this week, the government scrapped tap-water deals with two joint venture firms controlled by Mr. Sigit and Mr. Liem and announced a review of contracts with the state oil company, Pertamina, that had favored the Suharto family.

The Jakarta Post newspaper reported Friday that at least 120 companies that contracted with Pertamina were owned by the Suharto children or their associates. These lucrative concessions often returned little profit to the state-owned company, while producing windfalls for the family middlemen.

In one indication that power in Indonesia was shifting, the Post also reported that Jakarta city officials were demanding that a hotel controlled by the family pay a \$1.86 million fine for violating building permits.

On June 8th, the International Herald Tribune will publish a Special Report preview of

# The World Cup

For the expert and the uninitiated, the Special Report will not only provide insight and analysis on the teams, the stars and the competition that will unfold on the field. It will also include useful tips and background aimed at helping visitors make the most of their stay in France outside of the stadiums.

Rob Hughes, the IHT soccer columnist and one of the most provocative writers on the sport, will look ahead to the five weeks of twists and turns to the World Cup Final, examining the contenders and pretenders.

John Vinocur, the IHT's Chief Correspondent and a lifelong student of the game, will look beyond the corner kicks to the metaphor that soccer has been and remains, a point of cosmic global spectacle.

Christopher Clarey, the globetrotting IHT sportswriter, will bring his pinpoint descriptions to the report, looking at the hosts, an international team for an international event and a symbol of the French melting pot.

Patricia Wells, the IHT's renowned restaurant critic, and Barry James, a veteran IHT correspondent, will team up to offer visitors a touch of history and a taste of smart touring and dining tips for all of the World Cup host cities.

The Special Report will also include a full schedule of World Cup matches throughout France, with an accompanying map, and a concise guide to the television stations around the world planning to broadcast World Cup matches.

For more information about advertising in this Special Report, please contact Bill Mahder in Paris at (33-1) 41 43 93 78 or fax (33-1) 41 43 92 13 or e-mail: supplements@iht.com.

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Page	Line	Low	High	PE	Vol	Div	Stock	Low	High	Page
1	1	1	1	1	1	1	1	1	1	1
2	2	2	2	2	2	2	2	2	2	2
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**NYSE**

**Friday's 4 P.M. Close**

(Continued)

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13 Month	13 Month	Stock	DN YD	PE	100High	Low/Last	Chgs
254	254	US Steel	10	10	577	577	40%
273	273	US Steel	10	10	577	577	40%
274	274	US Steel	10	10	577	577	40%
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461	461	US Steel	10	10	577	577	40%
462	462	US Steel	10	10	577	577	40%
463	463	US Steel	10	10	577	577	40%
464	464	US Steel	10</				

هذا من الاصل



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AS - Australian Dollars; AS - Austrian Schillings; BF - Belgian Francs; CS - Canadian Dollars; DE - Deutsche Mark; DM - Dutch Guilders; FF - French Francs; FW - Flemish Mark; Lf - Dutch florin; IDR - Indonesian Rupiah; Lf - Italian Lira; LF - Luxembourg Franc; p - penny; S - Singapore Dollar; S - Swiss Franc; SEK - Swedish Kronor; THB - Thai Baht; Y - Yen.

x - noted; x - Other Countries; I.A. - Not Available; A.C. - Not Communicated; p - New; S - suspended; S/S - Short Supply; O - On-Hand; E - Ex-Grat; O - Offer Price; 10% price change; \* - price increase; - - - - - price decrease; x - not registered with regulatory authority; p - middle bid and offered price; E - estimated price; p - price calculated 2 days prior to publication; x - bid price.

The marginal symbols indicate frequency of quotations supplied: (a) - weekly; (b) - bi-weekly; (c) - monthly; (d) - quarterly; (e) - semi-annually; (f) - annually; (g) - irregularly.



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## Underfollowed Stocks Let Investors Stray From the Beaten Path

**A** LOT OF EQUITY investing is done by the numbers these days. Analysts predict corporate earnings per share and investors bid for stocks at prices that reflect accepted industry-wide and national multiples to those profit forecasts. The multiples can change quickly, giving a lift to prices when optimism rises and putting vicious downward pressure on stocks in troubled times.

At the heart of this system are the average earnings projections collated by companies such as First Call Corp., I/B/E/S International Inc., Nelson Information Inc. and Zacks Investment Research Inc. If a company is too small, new or infrequently traded to catch the eyes of analysts,

its earnings will not appear on these services. These underfollowed stocks thus will not show up in the screening processes used by investors seeking bargain valuations based on earnings.

Being small, new or infrequently traded, the stocks also will not qualify for inclusion in most stock indexes, which some investors and funds try to replicate by purchasing their underlying shares. So there is a smaller pool of potential buyers for underfollowed stocks than for their higher-profile brethren, a natural mechanism for keeping prices relatively rational during periods of market exuberance.

Underfollowed need not mean unknown, however. There are other ways to find out about

stocks, from poring over government filings to checking out hot new products at the local mall. Many analysts have a favorite or two that their competitors do not follow; in their portfolios, money managers often hold equities that are not well researched.

Of course, investing on the basis of one person's opinion is riskier than obtaining advice from several sources, but the potential rewards of relatively obscure stocks can be high. The Money Report's correspondents checked with analysts and investors around the world to bring you their picks this week. We also combed the Internet and found World Wide Web sites that

offer information about these issues for investors who want to follow the world's underfollowed equities:



• **THE CANADIAN SPECULATOR**, a weekly newsletter published by Stockhouse Online Journal that seeks out underfollowed Canadian companies with the potential to double or triple in price over three months. The Canadian Speculator says it is not compensated by the companies profiled, but will reward them from time to time. A yearly subscription to the newsletter is \$50. Web site: www.canadian-speculator.com

• **ELROC CAPITAL**, uses various mechanical stock-trading analyses to track stocks, some more common than others, from seven markets: Frankfurt, London, New York, Paris, Stockholm, Tokyo and Zurich. Every day it features a buy-and-sell guide that focuses on size stocks. The information is free. Web site: www.elrocapital.com

• **MOMENTUM FINANCE**, an on-line business magazine that offers registered value news and data on U.S., European and Asian stocks. The service is free. Web site: www.momentum.com

• **GLOBAL PENNY STOCKS**, on-line newsletter that covers listed stocks

carrying a value of \$5 or less from around the globe. For \$59 a year, subscribers receive two newsletters a month, which contain a dozen or so stock picks or shorts, company analyses and portfolio updates. The newsletter is published by George Solovchik, former publisher of Penny Stock Review, Low Price Stock Digest and Speculators Magazine. Web site: www.pennystock.com

• **SKIP NORDSTROM'S GROWTH STOCK NEWSLETTER** and **SKIP NORDSTROM'S PORTFOLIO PICKS**, The Growth Stock Newsletter, NORDSTROM'S PORTFOLIO PICKS, contains current information on small-cap stocks underfollowed by U.S.-based companies that the publisher believes have better than average growth opportunities. Web site: www.skipnordstrom.com. Yearly subscription (\$11 issues) are available for \$129. Individual issues can be purchased for \$14. For subscription information, call 714 642 2311.

• **WALL STREET CITY**, offers a variety of investment-related services, including a new section devoted to international markets, which provides news, stock graphs, symbol listings and end-of-day quotes for equities in 35 markets. Some services are free, but the international market information continues. Some services are for \$9.95 to \$34.95, depending on the type of information requested. Web site: www.wallstreetcity.com

## Asia: Finding Oversights

A Few Choices That Got Lost in the Turmoil

By Philip Segal

**W**ITH THE shakeout in the brokerage business throughout Asia, many small-capitalization stocks have simply fallen off the radar screens of houses that either fired analysts or found that skittish foreign investors demand liquid securities that they can easily sell. During the market panics that began last summer, it has been hard to get out of some of Hong Kong's large companies. On bad days, small stocks trading at expensive valuations can fall 30 percent or even 50 percent in a matter of hours.

Still, there are a few stocks around with transparent businesses that have maintained healthy looking fundamentals and have performed well relative to the rest of the market. For investors confident that the Hong Kong dollar will maintain its value against the U.S. currency for the next several years, the following stocks bear examination. These shares would look even cheaper to foreign investors who might buy if the peg is broken.

For those wary of a lot of debt on the balance sheet in these perilous times, consider the freight forwarder Baltrans Holdings Ltd. When you call this company, which has no active analyst coverage, the secretary passes you to Chairman Anthony Lau, who cheerfully comes to the telephone (he is also the head of the local freight-forwarders' association). A Hong Kong chief executive officer who does not disappear for an entire year between brief annual meetings is an unusual enough phenomenon, but the company's numbers are also worthy of examination.

With a dividend yield of 10.63 percent, Baltrans is trading at four times last year's earnings and at a 30 percent discount to book value. It has a debt-to-common equity ratio of 16 percent and over the past year has underperformed the Hang Seng Index by 4.2 percent.

"Even if Hong Kong exports stagnate, the company appears cheap. Although no analysts follow it, one who did but gave up because the market capitalization became too small — \$187.5 million Hong Kong dollars (\$24.2 million) — still spoke well of the company. He blamed the stock's low price on the relatively poor performance of the entire freight-forwarding sector, but within the industry it sticks out like a sore thumb as being a very well-managed company," he said.

Nevertheless, with exports drying up in Asia, earnings at Baltrans fell 18 percent in the six months to Jan. 31. As the region recovers and trade expands, Baltrans will continue to deserve investor attention.

"A designer and maker of women's clothing in China, Hong Kong, Malaysia and Vietnam, Tungtex Holdings is almost debt-free, with a debt-to-equity ratio of just 2.5 percent. Its dividend yield is 13.99 percent, as it trades at 4.62 times estimated earnings. Just one analyst appears to cover this stock: Frank O'Reilly of ING Barings in Hong Kong, who called it 'ludicrously cheap' at 77 Hong Kong cents. It is now at 84 cents.

"Last year, the stock outperformed the Hang Seng Index by 18 percent, and ING Barings likes the fact that it is a potential takeover target. The brokerage also said it expected earnings per share to rise by 28 percent for the current

financial year. Fair value for the stock is 1.50 Hong Kong dollars, ING said. So why does Tungtex get ignored? A market capitalization equivalent to \$42 million keeps serious institutional investors — and therefore analysts — away.

Peter Milliken, an analyst at DBS Securities Hong Kong Ltd., said Hsin Chong Construction Group Ltd., a diversified construction company that does everything from foundations to superstructure to electrical work is "more complete than almost any other company" in its sector.

"The staff are very flexible as well," he added. "They're highly trained and can move into whatever area is facing the most demand at the time."

In Hong Kong, that will probably mean public housing, one of Hsin Chong's biggest strengths. The Hong Kong government may reconsider its plan to raise the number of public apartments it builds each year to 50,000 from 30,000, but it is unlikely to cancel all of the increase.

Mr. Milliken said he expected earnings per share of 20 Hong Kong cents in the year that ended in March and 27 cents in the year to March 1999. In the March 1997 year, earnings were 18 cents.

Hsin Chong has a 127 percent debt-to-equity ratio; its liabilities doubled in 1997. Still, trading at a discount to book value, its dividend yield is 11.33 percent and the stock outperformed the Hang Seng Index by 6 percent over the past 12 months. It trades at a price-to-earnings ratio of 4.21 times this year's projected earnings.

Dropped by several brokerage houses in Hong Kong, Egana International (Holdings) Ltd. is now followed at Dharmala Securities Ltd. by Andrew Tang.

Egana was founded in 1978 by its current chairman, Hans-Joerg Seeberger, and sells Asian-made watches and jewelry to Europe, North America and Asia. Fortunately, most of its income is in foreign currency these days, as it distributes products in 80 countries. Sales in Hong Kong, Japan and the rest of Asia combined are forecast this year to constitute just 27 percent of total revenues, according to Dharmala, which projected a 23 percent net profit growth in the current fiscal year.

Egana has the worldwide distribution rights for Pierre Cardin watches, and it is licensed exclusively in some markets to sell the Bulova, Raymond Weil and Cerruti 1881 brands, among others.

Trading at 50 cents a share, the stock is down just 9 percent in the year to date and is trading at 12.82 times this year's projected earnings. Better still, it was able to raise its operating margin in 1997 despite the Asian financial crisis. It has higher debt than some of the other companies mentioned here, however: a total debt to common equity ratio of 78 percent.

Egana is listed in Frankfurt and has a new American depository receipt in the United States, but trading the stock in Hong Kong is best. The other listings sometimes go days without seeing a trade.

For further information:

• **BALTRANS HOLDINGS** trades in Hong Kong under the ticker symbol 562. Telephone: 852 2757 7111. Fax: 852 2755 5531.

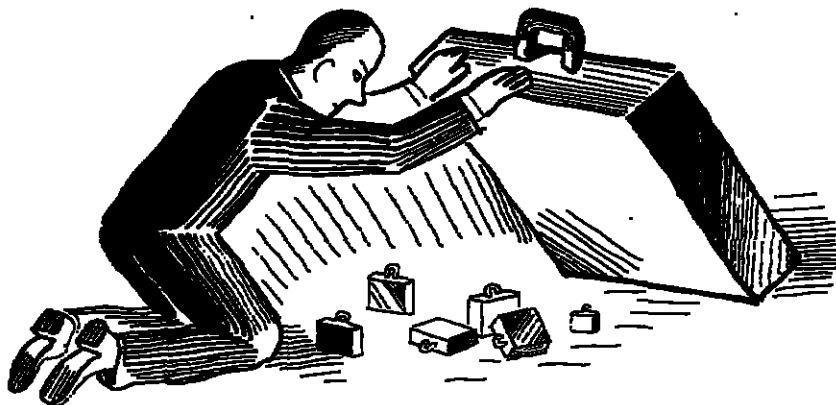
• **DBS SECURITIES**, Telephone: 852 2526 2002.

• **EGANA INTERNATIONAL** trades in Hong Kong under the ticker symbol 48 and in Frankfurt under the symbol EGAN, as ADR symbol is EGNH (each ADR represents 100 common shares). The company also has a warrant that trades in Hong Kong under the symbol 703; if the stock price exceeds \$6.18 Hong Kong cents before the warrant expires on June 30, investors stand to profit.

• **Hsin Chong Construction** trades in Hong Kong under the ticker symbol 404. Web site: www.hsinchong.com

• **ING BARINGS**, Telephone: 852 2248 8488.

• **TUNGTEX HOLDINGS** trades in Hong Kong under the ticker symbol 518.



Don of Sun/HIT

## Americas: Eyeing Insiders

Costa Rican Bank Also a Target for Investors

By Aline Sullivan  
and Mitchell Martin

**A**LAN GILSTON, a manager of the Oppenheimer Discovery Fund, looks at stocks in many different ways, seeking ways to screen equities that will show him patterns different than those seen by his competitors. In pursuing insider transactions (purchases and sales by corporate officers and directors) he came across LodgeNet Entertainment Corp., a company that provides television programming in hotels.

The company's revenue base is growing "in the 20 percent range, and no one seems to care," he said. This "pseudo cable company" is not followed well by telecommunications analysts, Mr. Gilston said, and its cash flow is deceptively weak because it has been investing in a subsidiary called ResNet, which provides television services in apartment buildings.

Mr. Gilston said LodgeNet was looking for a partner for the residential service, and the company said it was making the operation a "self-funding, unconsolidated business unit in 1998."

That leaves the hotel business, where it shares a duopoly with Ascent Entertainment Group Inc.'s On Command Corp. Mr. Gilston said LodgeNet had newer technology, allowing it to match On Command's prices while maintaining a higher profit margin.

The technology issue might account for investor reticence: The companies are suing each other over patent infringement. LodgeNet's shares have languished at about \$1.1 in recent months, below the \$1.3 initial public offering price and the \$1.75 peak at the end of 1996. But recently, Mr. Gilston said, "insiders stepped up" and started to buy the stock.

Although insider sales can reflect factors other than the company's outlook, purchases made by those who run a company usually indicate they are confident that the stock will rise.

In Miami, the closed-end fund specialist Thomas Herzfeld of Thomas J. Herzfeld Associates personally owns shares in American Real Estate Partners L.P.

"It's an obscure stock because investors and analysts are afraid that it is at the mercy of its one large investor," he said. "But it is an interesting buy because it's selling substantially below its book value."

While the stock is trading at about

\$10 per share, Mr. Herzfeld's broker, Louis Palace, president of FUND Securities Inc. in Miami and Staten Island, New York, estimated the book value was at least \$17 per share.

Prospective investors in the investment trust based in Mount Kisco, New York, must be able to tolerate risk: The financier and sometime corporate raider Carl Icahn owns 74 percent of American Real Estate and is its chairman. The partnership's units, which trade like common shares on the New York Stock Exchange, slumped after the company announced on May 18 that first-quarter earnings had plunged 77 percent from the corresponding 1997 period, when earnings had been boosted by a one-time gain from shares held in RJR Nabisco Inc.

Corporation Banex, the Costa Rican holding company that controls Banco Banex, is well worth watching, according to Walter Kislung, manager of the \$20 million Mesoamerica Fund in San Jose. It is fast becoming the biggest fish in its pond and a tempting target for foreign buyers.

"The race is on to become a regional banking power in Central America," said Mr. Kislung, who personally owns stock in Corporation Banex. "In Costa Rica, we have about 25 banks, which is far too many. So there will be consolidation. Banex has already started: It bought Banco Continental six months ago and made it clear that it is interested in buying other local banks."

But Banex, with about \$700 million in assets, is not much larger than its rivals.

"The winners will be the ones that can muster about \$3 billion or \$4 billion in assets through acquisitions and by selling stocks to bigger regional banks based in Panama or El Salvador," Mr. Kislung said. "They will then be big enough to appeal to foreign banks that want to expand in Central America, such as Dresdner or Banco Santander. For foreign buyers, Banex is the best bet here."

Banex is listed only in San Jose but there are no restrictions on foreign buyers. It was recently trading at about 8 Costa Rican colons, up from 6 a year ago.

For further information:

• **AMERICAN REAL ESTATE PARTNERS** trades on the New York Stock Exchange under the ticker symbol ACP.

• **CORPORATION BANEX** trades on the San Jose exchange under the ticker symbol CBAN. It can be purchased through local brokers. Mr. Kislung suggested Citicorp, which speaks English; his telephone number is 506 257 0522.

• **LODGENET ENTERTAINMENT** trades on the Nasdaq system under the ticker symbol LNET. Web site: www.lodgenet.com

• **THE MESOAMERICA FUND**, Telephone: 506 220 1157. Fax: 506 290 5684.

## Europe: Growth Scoping

Picks in Germany, U.K., Turkey and the East

By Conrad de Aenlle

**K**EN COX, a portfolio manager at Templeton Investment Management in Edinburgh, likes the shares of Plettac AG, Germany's leading maker of construction scaffolding, which have had little support since the post-unification housing boom ebbed in the mid-1990s.

Since peaking at 438 Deutsche marks (\$246) in the second half of 1995, they have fallen to a recent price of 278 DM, about 13 times this year's expected earnings, even as the German market has soared.

"This stock had a very good run-up post-unification, when there was a lot of construction work going on," Mr. Cox said.

"Since then, the stock has had a material de-rating," he added, using an investment-analysis euphemism for a plunge. "It seemed to be the case where forecast construction had stopped dead in its tracks, which was true, and that no building was going to go on in the future."

That has turned out not to be true, and, in either case, Plettac has branched out into other areas such as security systems. Mr. Cox said the stock looked undervalued, even when making "some pretty conservative assumptions about future growth."

Another stock he favors is McBride PLC, a spin-off of British Petroleum PLC that makes household goods such as detergent for British supermarket chains.

"It's quite a good story," Mr. Cox said. "Own-label products provide higher margins for supermarkets. They have been a growing part of the U.K. retailing scene for 15 years. It's not a booming market, but it's a growth area."

Soon after BP spun it off in 1995 at 190 pence per share (\$2.95 at the time), McBride ran into production problems that caused it to miss earnings targets set by the few analysts who covered it. The stock fell to 120 pence.

The combination of minimal earnings and minimal coverage by analysts "was enough to attack the price," Mr. Cox said.

"There was no one but the sponsoring brokers to defend the company," he added. "It's a unique stock in the U.K. market. We knew demand for their products was growing."

Since bottoming at 117 pence last year, the stock has climbed to 192 (\$3.07). Even after the rise, it trades at 14 times this year's earnings, Mr. Cox said, compared with a multiple of 25 for its competitor, Unilever PLC.

"If you're prepared to take a long-term view and be patient," Mr. Cox said, "this kind of stock will pay off."

The Turkish supermarket chain Migros Turk TAS is "an interesting long-term story," according to Austin Forey, head of emerging markets at Fleming Investment Management in London. Few analysts cover it, he said, because it is a domestically oriented company in an underfollowed market.

Migros, which was spun off from a Swiss retailer, enjoys 20 percent annual earnings growth, after taking Turkey's horrendous inflation into account. Inflation puts such a drag on corporate Turkey that "it's hard to find companies

growing at a high sustainable rate," Mr. Forey said.

What allows Migros to be one of the few in its expansion into Turkey's great hinterland, where supermarkets are largely unknown.

"Once you get out of Istanbul, it's all mom-and-pop stores," Mr. Forey said. "Migros is the first widespread supermarket chain."

He added that the company was "reasonably well managed."

"It's not Wal-Mart," he said, referring to the U.S. discount-store chain, "but then it's not in that market."

Anna Bosson, head of East European equity research for Daiwa Europe Ltd., has buy recommendations on three companies in the region whose shares trade as global depository receipts:

Sun Brewing Ltd. was set up in Russia in 1994 by Western investors to try to take advantage of an anticipated growth in the country's thirst for beer. There is certainly room to grow, given that per-capita consumption is barely one-fifth that of Western Europe.

Sun, the country's largest brewer, is "working flat-out to satisfy strong Russian demand for beer," Ms. Bosson said, through a vigorous program of acquisitions. Revenues are rising sharply, as are profit margins, thanks to enhanced operating efficiencies.

Other factors that lend Sun appeal to foreign investors include the fact that its managers are Western and its books are kept according to American accounting principles, she said. Sun's GDRs trade in dollars in Germany and Luxembourg.

Another rapidly expanding company is BorsodChem Rt., a Hungarian producer of plastics and chemicals whose GDRs trade in dollars on the SEAQ International market of the London Stock Exchange.

Ms. Bosson likes BorsodChem, Eastern Europe's largest maker of polyvinyl chlorides, because it can make the substance more cheaply than its Western rivals do. That is a critical advantage in a commodity industry, where there is little to distinguish one company's wares from another's.

The cost of BorsodChem's stock is also cheap, she noted. It recently sold at a multiple of about seven times this year's estimated earnings, compared with a multiple of 10 for others in the industry. For that reason, Daiwa foresees the local price of the company's shares rising by about 50 percent this year, although any weakness in the Hungarian forint would reduce returns for foreign investors.

The last of Ms. Bosson's triumvirate is Kredyt Bank SA, a Polish lender that recently merged with two others, giving it a formidable presence in the country's retail-banking market. Like BorsodChem, Kredyt Bank is traded in dollars on SEAQ International.

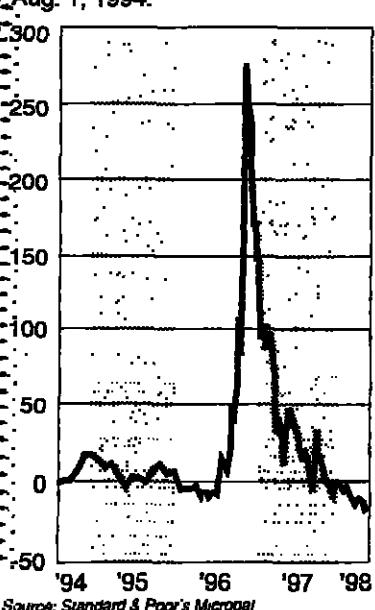
Daiwa's rationale for buying the stock is similar to the one for buying Sun Brewing: Russians do not drink much beer and Poles do not borrow much, having one of the lowest ratios of debt-to-economic output in Eastern Europe. More scope for growth lies in the fact that only one Pole in four holds a checking account.

Based on Daiwa's projections for earnings growth, the stock is rich-

Continued on Page 19

## The Bangladesh Fund

Total return in U.S. dollars since Aug. 1, 1994.



Source: Standard &amp; Poor's Compustat

## Bangladesh and Cuba: Fund Adventures in Uncharted Lands

By Barbara Wall

**W**HEN A NEW investment market emerges, it generally attracts widespread attention from the international funds industry. Possible exceptions to this rule include Bangladesh and Cuba. Both economies are still in the early stages of transition and research on local companies is poor. This could explain why there is only one dedicated investment fund for each of these markets.

Cuba has been classified as one of the riskiest countries in the world for business, but foreign companies have still come to the Caribbean island in search of opportunities, with many finding them. Reports issued by the Cuban government suggest there are at least 260 joint ventures from 43 countries, with 100 more pending.

The barriers to investing in Cuban enterprises are formidable. There is no stock exchange and the U.S. trade embargo prevents American companies from doing business on the island.

Despite the difficult social, economic and political conditions in Cuba, Beta Gran Caribe Fund Ltd., a dedicated direct investment fund managed by Havana Asset Management Ltd., a subsidiary of the London-based Beta Funds Ltd., has been investing there since February 1996.

Beta Gran Caribe Fund is a closed-end fund listed on the Dublin stock exchange. "More than half of the fund's investments are in companies that we have helped create," said Peter Scott, chairman of Beta Funds.

"One of the fund's largest holdings is a Guernsey-registered company named Caribbean Finance Corp., which is a joint venture between Beta Gran Caribe and an insurance company owned by the Cuban government," he added. "The fund has also invested in two biotechnology companies: York Medical Inc., registered in Toronto, which is developing a string of products for international markets, and Biognosis Ltd., created by Beta Gran Caribe and registered in Guernsey, which is focused on developing diagnostic kits for markets in the Third World."

The fund also has invested in Hotel Saratoga, which is part of a Guernsey-registered company named Omega Latin Holdings Ltd.; Caribbean Property Corp., a property development company and fully owned subsidiary of Beta Gran Caribe; and Northern Orion Inc., an Caribbean Gold Resources Inc., which are both Canadian mining companies with listings on the Toronto Stock Exchange.

"As the fund is just in the process of getting invested, it is probably too early to comment on investment performance," Mr. Scott said. "However, the outlook for the fund is encouraging. Caribbean Finance Corp. has been in operation for just under two years and has made 55 commercial loans without any losses. Caribbean Property Corp. has been negotiating to acquire two sites and has just finalized its first deal. York Medical is about 12 months away from commercializing its first products, while Biognosis concluded its first commercial deal two months ago."

With the exception of the two Canadian mining companies, none of the companies

mentioned by Mr. Scott have international listings. York Medical is close to getting a listing in Toronto and Caribbean Finance will probably receive one in the next 12 months, Mr. Scott said.

The Bangladesh Fund, incorporated in the Cayman Islands in July 1994 and managed by the Hong Kong-based Indocam Asia, is a closed-end fund with a listing on the Dublin stock exchange.

"The Bangladesh economy is still underdeveloped and company research coverage scant," said K.C. Reddy, an analyst with the Bangladesh Fund. "The situation has not been helped by the difficult political conditions in Bangladesh last year; poor weather, which had a disastrous impact on the country's agriculture industry, and the Asian financial crisis, which has hurt Bangladesh's export industries."

In the nearly four years since its debut until the end of April, the fund registered a negative return to shareholders of 18.4 percent. This figure has been adjusted to take into account a one-time dividend of \$8 in December 1996. Over the same period,

the fund's benchmark, the Bangladesh All-Share Index, was down 41 percent.

Two of the fund's largest holdings are Square Pharmaceutical Ltd., which represents about 12 percent of the portfolio, and Beximco Pharmaceuticals Ltd.

"When markets are falling, pharmaceutical stocks generally do well," Mr. Reddy said. "But more significantly, foreign pharmaceutical companies are not authorized to set up business in Bangladesh, and a handful of local pharmaceutical companies, which sell Western medicines, have managed to retain a very tight grip on the market. Beximco accounts for around 35 percent of the domestic formulations market."

Bangladesh's largest stocks are generally covered by one, or sometimes two, Hong Kong brokerage firms, but many stocks have no research coverage. Mr. Reddy cited two little-researched companies that he considered worth a bet: Apex Footwear Ltd. and Apex Tannery Ltd.

For further information:

• **BETA FUNDS LTD**, Telephone: 44 171 353 2066

• **INDOCAM ASIA**, Telephone: 852 2927 3834

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## THE MONEY REPORT

Q & A / Robert Friedman/Franklin Mutual Series Fund

### Favoring the Out-of-Favor, Valuing the Undervalued

Despite Boom, Fund Group Sticks to Its Method

**R**OBERT FRIEDMAN is a senior research analyst at Franklin Mutual Series Fund Inc. This group of U.S.-based stock mutual funds, headed by Michael Price, who sold his Heine Securities Inc. to Franklin Resources Inc. in 1996 — uses a value approach to investing, meaning it seeks out companies selling at low prices relative to the value of their businesses. Mr. Friedman spoke with *Conrad de Aenlle* about the search for cheap stocks in expensive markets.

**Q.** Your specialty — finding undervalued, out-of-favor stocks — is undervalued and out of favor among money managers. What makes you think your stock-picking method is better than the pack's?

**A.** It is not so much that we criticize growth investors, it is just we are not growth investors. Some people know how to look at a stock and extrapolate data into the future. We are not willing to take that risk.

**Q.** Your funds are sold partly on their robustness during down markets, of which there have been few lately. Is it hard to maintain your discipline in a market where value investing is not as successful as other methods?

**A.** We will always stick to our philosophy. We will not say, "Here's a stock trading at 19 times earnings and there are no hidden assets, but it is growing 25 percent a year." We will never do that. We'll look at a stock and say, "It is 19 times earnings and it owns 40 percent of that company and 40 percent of that company, and it has 4,000 acres of land, and you back it out and say, 'Oh, I can really get the company for 11 times earnings; that's a steal.'"

We are a lot more detached from any index that you could compare us to. We have bankruptcies in our portfolio. What index are you going to measure that against? We do arbitrage situations; there is no index for that.

**Q.** You look for companies trading for no more than 60 percent of their asset values. There is no shortage of people who can read a balance sheet. What assumptions do you make when you assess a company that allow you to find value that apparently is hidden from others?

**A.** There are three stages to this. Europe is a great example. We will step into markets that are undervalued, so it is having the nerve to step into this area when everyone is telling you not to step into this area.

Two, is we will look for things that have fallen through the cracks of the brokers — there is not a lot of coverage, not a lot of responsiveness to some of these things. My favorite line when we start to look at a company is, "Yeah, it is cheap but it is always cheap." When you hear that line, it is such a great sign because they are saying, "I know it is inexpensive, I know there is value on the table, but nothing ever happens so I am not going to bother." We will then go take a look at it and see if it is always going to remain cheap or whether there is something in the works.

Third, we understand the strategies within industries rather than look at companies individually. We do value

companies by what is in the balance sheet, but then we ask ourselves, "This company has what strategic value to somebody else?" We look at a company and say, "Here's the asset value, but is there some angle? Is this piece strategically significant? Does someone else want this piece of the business?" We don't just look at two companies and say, "This one is at X times earnings, this one is at Y times earnings. Let's buy the one that is cheaper."

**Q.** One of your specialties is bankruptcies. Is there a particular type that offers prospects for higher returns at lower risk than others, and how do you extract value from them?

**A.** The bankruptcies we've worked on that were very successful would be Zenith Labs, Sunbeam-Oster, Canary Wharf is going to work out very nicely. The problem with bankruptcies is there are not a lot of them around right now. [Success] depends on the value of a particular style of business. In Canary Wharf's case, there are physical assets and a kind of brand name and location. If you're looking at Zenith Labs, you're looking at a generic drug manufacturer that was grossly mismanaged and was in a business that was destined to grow. Sunbeam-Oster was grossly mismanaged for years; it was unloved, unwanted and also happened in 1991, when no one cared.

**Q.** With markets so frothy and so many companies restructuring, merging, spinning off, is it hard to find good asset plays, or good value of any sort?

**A.** We can find ideas in Europe; we're finding some ideas internationally, ex-Europe. I do believe it is harder to find real value on the table in the U.S. right now. If everything materializes [regarding earnings expectations and restructuring gains], then you can make money, but if one piece of that puzzle falls apart, then the market has to top. The market is standing on a step ladder now; if you take out one leg, the whole thing goes over.

**Q.** You've increased your exposure to Europe and started a fund targeting its markets. How do the principles you've developed for U.S. investing translate?

**A.** The difference is you're not looking at one culture, you're looking at many cultures. Each of them approaches business in a different way. I think the best for us in Europe have been the U.K., the Netherlands and Sweden. Having said that, tied for second place in exposure for us is France, which has not been a very good business environment. But all you needed to find were 10 really interesting companies. We have \$2 billion in France and \$1 billion of that is in two companies, Suez and Elf Aquitaine.

**Q.** European companies are starting to take shareholder interests seriously, and share prices have soared to reflect that. Is the window of opportunity slamming shut?

**A.** In 1994, we had \$500 million [in Europe]; now we have \$9 billion. For the first two years, '94 and '95, it was not difficult to find large-cap names that were inexpensive; at one point, Nestle was selling in single digits, so that was a great time. 1996 and 1997 was when the earnings materialized for big-cap companies, and small- and mid-cap



Robert Friedman: Value in Europe.

companies were being left behind.

What has happened since the end of '97, going into '98, is the ballooning of asset values in Europe. Real large-cap companies are no longer in the restructuring range of valuation; they are in the earnings range of valuation. They have to materialize those earnings or the stocks are going to come down, some of them rather sharply. People are paying way over-the-top numbers for some of these smaller markets, like Spain and Portugal, so if a very fine company in Portugal restructures itself, cleans up its act, gets its turnover higher, improves its margins, gives the market those earnings that the market is counting on, the stock will be fine. The minute it disappoints, the stock's down 15 percent.

**Q.** Speaking of disappointment, you don't talk about Asia much. Are you avoiding the region?

**A.** We actually spent a lot of time over the past month looking at Japanese companies. I think we will start to find ourselves putting more and more in Japan, [but] I think Japan is not that inexpensive. The only thing that will make Japan inexpensive now is a cut in tax rates, which would make a huge difference in valuations.

**Q.** Several Templeton managers have achieved guru status among investors and the media: Sir John Templeton, Mark Mobius, Michael Price. Mr. Price is about to leave, as expected, five years after selling his business to Franklin Templeton. How much of an investor exodus are you expecting?

**A.** Michael doesn't know what Michael's going to do. He has a contract which obliges him to keep \$100 million of his money in the funds, and he will remain — regardless of what he does — as chairman of the board of Franklin Mutual. He can go about his business and stay as long as he wants to. I don't know what percentage [of investors] would say, "We like the fund because we like the philosophy," or "We like the fund because we like Michael Price." Or what percentage would say, "I flip funds all the time; this time it's Franklin Mutual, next time it's Fidelity."

My concern is not with Michael leaving, my concerns are two things: one, a precipitous fall in the market and, two, this industry can be a LIFO business — last in, first out — and there's a lot of money that's come into the market in the past 18 to 24 months. Over half our assets belong to the original shareholders; they don't scare me. It's the guy who joined up eight months ago and has made some good money in that eight months. All of a sudden the market falls 15 percent and he says, "I'd rather have a bond fund." That's the guy that's more frightening.

### Trigger Happy? Better to Buy and Hold

**A**FTER A WEEK like the one just past — with economic troubles deepening in Asia and Russia, bombs bursting in Pakistan and stock prices bouncing all over the place — you are tempted to sell some of your losers, cash in some winners and maybe trade them for some shiny, new shares. Don't.

Two finance professors from the University of California at Davis have just completed a study that confirms the sound principle of buy and hold forever. "Our central message," they conclude, "is that trading is hazardous to your wealth."

The term "trading" means buying and selling stocks in anticipation of short-term rises or falls. It is a terrible idea — because you incur transaction costs (including taxes in many cases), because trading usually takes you out of the stock market (at least for a short time, and often you dither before getting back in) and because traders just seem to sell at the wrong times.

The study by Brad M. Barber and Terrance Odean proves once again that Benjamin Graham, mentor to Warren Buffett and this century's greatest investment mind, was dead right when he wrote 50 years ago, "The investor's chief problem — and even his worst enemy — is likely to be himself."

Mr. Barber and Mr. Odean convinced a large discount brokerage to provide them with data on stock-trading by 64,715 customers from 1991 to 1996. The statistics were a gold mine. In fact, Mr. Odean told me that only one significant study has ever been done with similar records, and that was 20 years ago, with just 2,500 accounts.

What the researchers found was that the average investor earned a gross return of 17.7 percent, compared with 17.1 percent for the market as a whole.

So far so good. But the average net return, after transaction costs, was just 15.3 percent.

Far more important — and chilling — was that the 12,000 investors who did the most trading earned a return of just 10.0 percent, while those who traded infrequently earned 17.5 percent. That is a huge difference: For the active traders, \$1,000 grows to \$6,700 in 20 years; in the second case, it grows to \$25,200.

#### JAMES GLASSMAN ON INVESTING

Most of the investors in the study traded far too much. Mr. Barber and Mr. Odean found the "average" household turns over more than 80 percent of its common stock portfolio annually. In other words, investors hold the typical stock for only 15 months.

The active traders registered a turnover of almost 25 percent a month, or 300 percent a year. They held the average stock for just 120 days.

The main reason for poor performance, the authors emphasize, "is the cost of trading and the frequency of trading, not portfolio selection."

In fact, the investors beat the market before transaction costs because they tilted toward small stocks and value stocks, which performed well in the early 1990s. But buying and selling incurred costs — commissions, plus the loss on the spread between "bid" and "asked" prices — that ate into their gains. (Taxes weren't taken into account in this study, though they would have substantially depleted profits.)

I asked Mr. Odean whether active traders could make up for higher costs with agile stock-picking. He laughed. "There is some evidence" in this study, he said, "that high-turnover people are making bad choices — poor timing on trades."

In two separate papers, "Do In-

vestors Trade Too Much?" and "Are Investors Reluctant to Realize Their Losses?", Mr. Odean looked at this question in more depth. He discovered that, when investors decide to dump shares, the stocks they "purchase actually underperform those they sell."

In other words, people who trade a lot make lousy decisions, switching out of good stocks and into bad ones.

Why? Mr. Odean's research indicates that investors are especially likely to sell a stock if it has declined in the past and then rises a little. (Does this sound familiar?)

In general, he said, "you hold onto your losers" because it makes you feel better that you have not locked in a loss. You try to "minimize regret" by acting as if there is still hope. Then, when the stock rises — even if you still have a loss — you feel better about selling it.

The point is not merely that this pattern of selling and buying is a loser for investors; the point is not to sell at all. "Buy-and-hold makes sense," says Mr. Odean, whose specialty is investor psychology, "but in case you forgot, here's some more evidence."

His study with Mr. Barber, "The Common Stock Investment Performance of Individual Investors," finds that trading, or churning, as I prefer to call it, is shockingly common. The New York Stock Exchange reports that last year turnover was 69 percent (meaning that the average stock was held for 17 months). That is an increase from 46 percent in 1990 and a far cry from the 1950s, when turnover was in the teens. Turnover on the smaller-stock NASDAQ was far higher — 199 percent last year, for an average holding period of a mere six months.

Washington Post Service  
THE COMMON STOCK INVESTMENT PERFORMANCE OF INDIVIDUAL INVESTORS is available on the Internet at [www.gam.utdavis.edu/stock.htm](http://www.gam.utdavis.edu/stock.htm)

### Scoping for Growth Stocks in Europe

Continued from Page 18

lously cheap. Although earnings are expected to grow 26 percent this year and 15 percent per year through 2000, the shares trade at just 3.2 times 1998 earnings and 0.8 times the bank's book value.

**B**RENNAN HIJNS, chief investment officer of Taylor Young Investment Management, a boutique asset manager in London for wealthy private clients, likes the prospects of Versailles PLC. Versailles is a London-listed company that fills a niche in the financial-services business so small that few people know it exists. The company facilitates financing arrangements for import-export entrepreneurs whose positions are too weak to allow them to obtain financing through normal channels.

Say a small company has found some goods in Asia, maybe fabric, that a London retailer would like to buy. The problem is that the trading company does not have the money for the purchase and has not been in business long enough for the retailer to trust it enough to pay in advance or for a bank to lend it the money.

Versailles will step in and essentially conduct the deal as if it were its own. It has more capital than the fledgling entrepreneur and a strong reputation and so can line up the money to allow the transaction to go through — for a hefty percentage, of course.

Versailles "takes the risk off the man of straw in the middle," Mr. Hjons said. "Big banks often supply business to them. It's the kind of thing that could turn into a significant financial-services company."

With a market capitalization of £150 million, Versailles does not make it onto the radar screens of many analysts. Its

shares fell to 46 pence after peaking in October in the mid-50s, depressed in part by selling by the venture capitalists who helped provide its initial finances. The shares have since crept back up to 70.

For further information:

- BORSODCHÉM trades in Budapest under the symbol BCIEM and in Munich under the symbol BOO. Its GDRs trade on SEAG under the symbol BODC.
- KREDYT BANK trades in Warsaw under the symbol KREDYT. Its GDRs, which represent five common shares, trade in Berlin under the symbol KBY and on SEAG under the symbol KDBA.
- MCBRIE trades in London under the symbol MCB.
- MIGROS trades in Istanbul under the symbol MIGROS. Web site: [www.migros.com.tr/](http://www.migros.com.tr/)
- PIETAC trades in Frankfurt under the symbol PIET.
- SUN BREWING trades in Luxembourg under the symbol SUNB. Its GDRs trade in Luxembourg under the symbol BUC, and in Munich, under the symbol SUNB.
- VERSAILLES trades in London under the symbol VLL. Web site: [www.versailles.co.uk](http://www.versailles.co.uk)

### BRIEFCASE

#### Picks and Shovels As Internet Gold

If you are looking for Internet-related stocks but cannot stand the thought of owning companies with billion-dollar market capitalizations and no profits, Pawan Malhotra of Legg Mason Wood Walker Inc. in Baltimore has a couple of ideas for you.

Internet commerce is growing by leaps and bounds. International Data Corp. figures quoted by Legg Mason show global volume growing from \$2.6 billion in 1996 to an estimated \$10.6 billion last year, to \$28.9 billion this year. By 2001, IDC is estimating \$223.1 billion.

Rather than trying to sell things on the Internet, Mr. Malhotra suggested the general-store approach to this gold rush: "Sell the picks and shovels to the miners."

Looking at the overall field of electronic commerce, which encompasses traditional fields like electronic fund transfers, Mr. Malhotra offered two ideas for investors: CheckFree Holdings Corp., which helps consumers pay their bills electronically, and Concord EFS Inc., which provides electronic transfer services to retailers such as supermarkets.

CheckFree has 75 percent of its market, estimated to reach \$600 million a year in the United States by 2001. Mr. Malhotra said. It faces competition from MSFDC, the joint venture of Microsoft Corp. and First Data Corp., but CheckFree "has got enough competitive advantages that it can maintain its market-share lead," he said. These include alliances with such companies as Innot Corp., the maker of the popular Quicken personal-finance software and an investor in CheckFree, and a merchant database of 3 million billers.

#### U.K. Won't Block On-Line Fund Data

British regulators have indicated that they would not prosecute investment companies that post information on the World Wide Web but are not authorized to offer their products in Britain if the Internet-site owners follow guidelines suggested by the U.S. mutual-fund industry.

The Financial Services Authority did not abandon its position that an Internet advertisement viewed on a computer in Britain constituted publicity issued within the country, where advertising an unauthorized financial product is a crime.

The regulators said, however, that they had discretion in applying their powers and would weigh whether a Web site makes clear its offerings are not aimed at British investors.

The authority said safeguards proposed by the Investment Company Institute, the U.S. mutual-fund trade group, "would reduce U.K. investor-protection concerns," although it did not act against sites whose owners met these criteria:

- The site makes clear to whom it is directed.
- The site does not suggest that offerings are available to British investors.
- A mutual-fund sponsor that uses a Web site and its affiliates takes steps "designed to reasonably ensure" that fund information and ap-

plications not be sent to British investors who are not supposed to receive them.

Craig Tyle, the ICI's general counsel, said British regulators had been approached because of their position that sites viewed in Britain were considered domestic advertisements. But he said the issue was likely to crop up elsewhere.

The U.S. Securities and Exchange Commission has a similar stance that offers greater assurance to overseas concerns. It said in March that it would not consider material on Web sites to be offerings to U.S. investors if owners "implement measures that are reasonably designed to guard against sales or the provision of services to U.S. persons." (IHT)

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and  
David Berrey, Riga, Latvia

who each will receive two roundtrip airline tickets from any Air Canada scheduled European location to any Air Canada scheduled destination in Canada.

Air Canada and the International Herald Tribune would like to extend a hearty thanks to all those who entered the competition.

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**WORLD ROUNDUP**

**Noe Is in the Pink**

**CYCLING** Michele Bartoli won the spill-marred 13th stage of the Tour of Italy on Friday in a three-man sprint in the rain. Andrea Noe, like Bartoli an Italian with the Asics team, finished fourth to take the overall lead.

Bartoli edged his fellow Italians Giuseppe Guerini, of the Polti team, and Paolo Bettini, another Asics rider, at the finish of the 166-kilometer (103-mile) stage from Carpi to Schio. Noe finished three seconds back to take the pink jersey from Laurent Roux who faltered on the final climb.

Alex Zülle, who started the day third, and Marco Pantani were part of a three-man breakaway up the final climb. But both tumbled twice on going downhill on the slippery roads and were passed. (AP)

**Chelsea Signs Casiraghi**

**SOCCER** Pierluigi Casiraghi, 29, a striker, became Chelsea's latest Italian recruit Friday, completing a four-year £5.4 million (\$8.9 million) move from Lazio to the English Premier League club. (AP)

**Croatia Stumbles**

**WORLD CUP** Croatia lost, 2-1, on Friday to Slovakia in a World Cup warm-up in Porec, Croatia. Tibor Jancula and Jozef Majoros scored Slovakia, which has not qualified for the World Cup. Igor Stimac scored for Croatia.

• In Casablanca, Belgium and England played a 0-0 draw in the King Hassan Cup. Belgium won, 4-3, in a penalty shootout.

• In Belgrade, Yugoslavia beat Nigeria, 3-0. Savo Milosevic and Pedrag Mijatovic were among the scorers.

• Denmark, which is going to World Cup finals, lost, 3-0, Thursday in Malmo to Sweden, which isn't going. Sweden had not scored in its previous four matches.

"We couldn't pass the ball twice without losing it, and it's impossible to play football that way," said Denmark's coach, Bo Johansson, a Swede. (Reuters)

**Nearly There, Rower Sinks**

**ROWING** Peggy Bouchet who had hoped to become the first woman to row the Atlantic alone, had to be rescued after capsizing just 120 miles from her goal.

"I thought I was going to die," Bouchet, 24, said in her Web site.

Bouchet set off from the Canary Islands on March 10. After 3,000 miles and 79 days at sea, a storm capsized her boat on Wednesday 120 miles from her goal, the French Caribbean island of Guadeloupe. She was rescued after spending the night in the sea. (AFP)

**Kuerten Is Dethroned by This Year's Rising Young Star**

**Safin, a Russian, Stuns Defending Champion in 5 Sets**

By Christopher Clarey  
International Herald Tribune



Marat Safin of Russia hitting a forehand to Gustavo Kuerten of Brazil on Friday. Safin upset the defending French Open champion in five sets.

PARIS — It was late in the fifth set on the center court, and it was time for Gustavo Kuerten to stare across the net and see his own reflection.

Marat Safin might be a powerfully built Russian instead of a skinny Brazilian. He might lack Kuerten's long, curly locks and Technicolor tastes in tennis clothing. But the rest of the surprise package must have seemed eerily familiar to the affable surfer from Florianopolis who rode the perfect wave on his way to last year's French Open title.

There, reincarnated in Marat, was the same eagerness to take full swings and large risks from the baseline: the same indefatigable pair of young legs; and, above all, the same innate insouciance under pressure. "For sure, he'll make a lot of trouble for us," Kuerten said later.

The Brazilian should have used the present tense. Three days after upsetting Andre Agassi in five sets in the first round, Safin upset the defending French Open champion and

**THE FRENCH OPEN**  
eighth seed in five often-scintillating sets on Friday, 3-6, 7-6 (7-5), 3-6, 6-1, 6-4.

"I have nothing to lose, nothing," said the 116th-ranked Safin. "He's No. 7 or No. 10. I don't have any pressure. I just play my tennis from beginning to end."

Safin, 18, is still eligible to play the junior event here. He began his campaign at Roland Garros by struggling to beat the world's 179th-ranked player, Davide Scalet of Italy, in the first round of qualifying. Nine days later, Safin became the first qualifier in the open era to beat the defending champion at a Grand Slam event. The star-making machinery in men's tennis appears to have another new product: created in Moscow, refined in Spain and launched globally and slightly ahead of schedule in Paris.

"I honestly didn't think he'd do something this year," said Rafael Mensua, the Spanish coach who has worked with Safin since he first arrived in Valencia by way of Moscow in December 1993. "I thought he'd be ready to do something big next year around this time."

It remains improbable that Safin, who is playing in his first Grand Slam event, will do something as big as Kuerten last year. He lacks the poise of the Brazilian, although both threw their rackets on Friday, and Safin's spectacular, flat groundstrokes do not leave him the kind of margin for error that most recent men's champions at Roland Garros have possessed. But anyone who watched him coolly serve for the match in the fifth set against Agassi and Kuerten and open with an ace on both occasions knows that Safin is not one to blink first.

"When I first met him, I wasn't sure he would be a great player," Mensua said. "But I was sure he had a great heart and great competitive spirit. You can teach the groundstrokes, but you can't teach that."

What Roland Garros continues to teach us is that clay is a marvelous equalizer, and after Friday, Marcelo Rios is the only one of the top nine seeds still in the men's event. While Kuerten's loss was a surprise, No. 4 seed Patrick Rafter was not. Though he reached the semifinals here last year when conditions were drier and quicker and won the U.S. Open last September, he has struggled with stardom and his attacking game lately. He lost in the second round to Jason Stoltenberg, a fellow Australian, 6-4, 2-6, 6-3, 6-2. He also received a fine for racket abuse after hurling it for the third time.

Rios, seeded No. 3 and the tournament favorite, has lost only one set in three matches. On Friday, he only had to win one set before Wayne Ferreira, his South African opponent, injured his right ankle while stretching for a forehand at 3-3 in the second set and defaulted. Rios should face a much trickier test when he meets Albert Costa, seeded No. 13, one of the finest clay-court players, in the fourth round on Sunday.

Costa's fellow Spaniards, Carlos Moya and Felix Mantilla, also advanced to the round-of-16, as did Thomas Muster, who beat Christophe Van Gasse of Belgium. Because of rain delays this week, the bottom half of the men's draw still had second-round matches to complete. When the clay dust cleared, only one American man, Michael Chang, was in the

third round: the least in any Grand Slam in the open era.

"We're in doubles, aren't we?" cracked Chang.

At least American women were thriving. Monica Seles, Venus Williams and, more surprisingly, Chanda Rubin all advanced to the round-of-16. Martina Hingis, the No. 1 seed, is still firmly on course to collide with Williams in the quarterfinals. She also won her third-round match in straight sets. So did Jana Novotna and Anna Kournikova, while the defending champion, Iva Majoli, won her rain-delayed second-round encounter with Natasha Zvereva, 6-3, 6-4.

But the only second-round encounter that thoroughly captured the imagination on this sunlit Friday was Kuerten vs. Safin. The last time a defending French Open champion lost in the second round was in 1973, when Andres Gimeno of Spain was upset. This time, it was an adopted Spaniard who did the upsetting.

This youngster is 6-foot-4 (1.93 meters) with a powerful first serve, which he regularly hit above 120 miles per hour (195 kilometers per hour). Despite his height, he is also extremely mobile, with a huge forehand and a deceptively huge backhand, which he hits with cocked wrists and two hands and often in midair. He can generate pace from anywhere, but is clearly wary of generating high expectations. After beating Agassi, he predicted he would lose to Kuerten and then head to Moscow to take the test for his driver's license. That will have to wait, but he has to pass another test in Paris on Saturday when he faces Daniel Vacek of the Czech Republic. "I think he's the favorite," said Safin.

**Saturday's Top Matches**

**Dominique Van Roost (15) vs. Serena Williams** Big sister is already in the fourth round. Can little sister do the same in her first French Open?

**Richard Krajicek (10) vs. Cedric Pioline** Sounds like a Wimbledon semifinal, but these big men can slide, too.

**Lindsay Davenport (2) vs. Elena Likhovtseva** Another Russian tries to pull an upset.



Venus Williams chasing the ball down in her victory over Alexia Dechaume-Balleret of France on Friday.

**FRENCH OPEN**

**IN PARIS, FRANCE**

**MEN'S DOUBLES**

**SECOND ROUND**  
Filip Dewulf, Belgium, def. Horacio Marmola, Italy, 7-6 (7-5), 6-4, 7-6 (9-7); Dominik Hrbaty, Slovakia, def. Juan Albert Vilaca, Spain, 6-3, 6-2, 6-3.  
Michael Chang (11), United States, def. John Van Lint, Netherlands, 7-5, 6-2, 3-0 (ret); Alberto Berasategui (16), Spain, def. Gerard Salas, France, 6-2, 3-6, 6-3, 6-4.  
Jozsef Kovacs, Austria, def. Patrick Rafter (4), Australia, 6-4, 3-6, 6-3; Alex Corretja (14), Spain, def. Fernando Vicente, Spain, 6-3, 6-2, 6-3.  
Magnus Gustafsson, Sweden, def. David Prinosi, Germany, 6-4, 6-3, 6-7 (9-11), 6-1; Francisco Cuevas, Spain, def. Olivier Dacourt, France, 6-2, 6-4, 6-7 (4-7), 6-1.  
Daniel Vacek, Czech Republic, def. Jan-Michael Gambill, United States, 6-2, 2-6, 7-5, 7-6 (7-4); Herman Garmy, Argentina, def. Gianluca Pozzi, Italy, 6-2, 6-3, 3-6, 5-7, 11-9.  
Marat Safin, Russia, def. Gustavo Kuerten (8), Brazil, 3-6, 7-6 (7-5), 3-6, 6-1, 6-4.

**THIRD ROUND**

Marcelo Rios (3), Chile, def. Wayne Ferreira, South Africa, 6-1, 3-0 (ret); Albert Costa (13), Spain, def. Bohdan Ustrach, Czech Republic, 6-3, 6-3, 6-4.  
Carlos Moya (12), Spain, def. Andrew Ilie, Australia, 6-2, 7-6 (7-5), 6-3; Fernando Meligeni, Brazil, def. Todd Woodbridge, Australia, 7-5, 6-3, 6-2.

**THOMAS MUSTER, AUSTRIA, def. CHRISTOPHE VAN GASSE, BELGIUM, 6-2, 4-6, 7-6 (7-5), 6-2; FELIX MANTILLA (13), SPAIN, def. PATRICK RAEFER, AUSTRALIA, 6-4, 6-2, 6-2, 7-5.**

**ROMAN DELGADO, PARAGUAY, def. SERGIY STARCHAK, ARMENIA, 2-6, 7-6 (7-4), 6-4, 7-6 (9-7); JENS KNIPSCHILD, GERMANY, def. JOHN VAN LINT, NETHERLANDS, 2-6, 6-4, 7-6 (9-7), 6-4, 6-4, 6-2.**

**WOMEN'S SINGLES**

**SECOND ROUND**

Iva Majoli (10), Croatia, def. Natasha Zvereva, Belarus, 6-3, 6-4; Mariana Diaz-Cinco, Argentina, def. Sung-Hye Park, South Korea, 6-2, 6-2.  
Patty Schnyder, Switzerland, def. Julie Halard-Decugis, France, 6-3, 3-6, 6-1; Silke Fink, Italy, def. Joanne Kruger, South Africa, 4-6, 6-3, 6-0.  
**THIRD ROUND**  
Anna Kournikova (13), Russia, def. Ana Carlsen, Sweden, 6-4, 6-6, 6-1; Venus Williams (8), United States, def. Alexia Dechaume-Balleret, France, 6-2, 6-1.  
Martina Hingis (1), Switzerland, def. Karina Habasova, Slovakia, 6-3, 6-0; Jana Novotna (2), Czech Republic, def. Elena Likhovtseva, Ukraine, 6-3, 7-6 (7-5).

**Kuwait to the Rescue (of U.S. World Cup Team)**

International Herald Tribune

**P**ORTLAND, Oregon — The sheikh told it, it was the Americans who came asking for Kuwait's help this time.

"None of the Kuwaitis will ever forget what America did for Kuwait," said Sheikh Ahmad Al-Sabah, vice president of the Kuwait soccer federation. "This is why we are here. We have come here to show the Americans that Kuwait is here for America."

The Americans needed help in soccer. Next month the United States is to confront Iran in a first-round World Cup match that neither side can afford to lose. It is going to be the mother of all soccer games. Would Kuwait be willing to help the Americans prepare? After all, in a pair of matches last year against Iran, Kuwait had earned a pair of draws.

**In America/IAN THOMSEN**

It was arranged, then. The Kuwaitis would train for a week at home before flying to the Pacific Northwest, where, unfortunately, but predictably, it rained all week. The sheikh was sitting in the lobby of the hotel, looking out the windows at the rain.

"We like the weather," he said happily, a diplomatic lie if ever there were one.

The sheikh was a relatively young man, in his 30s probably, dressed in worn-up pants and a golfer's shirt. "Football is completely amateur in Kuwait," he said proudly. "All of our players are volunteers. Some of them are students and others work in the government or in their own business."

The problem, as the sheikh explained it, is the tax situ-

ation in Kuwait. "There is no tax in Kuwait," he said. "In your part of the world, the biggest companies sponsor teams and leagues and receive in return a cut in the tax. Because we have no tax, there is nothing to cut. This is why the government takes care of the whole sport."

"The team has been away for two weeks — one week for training, one week here — so the government gives them a special excuse. The government pays all of their salary for these two weeks. If it was for one month, two months, the government would pay for everything."

"Now we are talking to the government about paying to make the football in Kuwait professional. The government would have to pay because there are no sponsors."

The coalition led by the United States liberated Kuwait of Iraqi invaders just seven years ago.

"But now everything is rebuilt," the sheikh said. "In Kuwait, there were 14 stadiums and 18 clubs, and all of them were damaged by the invasion. Now all of the facilities have been rebuilt and they are better than they were

before the invasion." It was not difficult for Kuwait to adapt to the mood of this friendly match, even though it was played on soil completely foreign to them — a heavy, soggy layer of grass laid down temporarily for this game. The team tried to play as Iran might play next month in France.

Kuwait's tallest player, the striker Jasssem Al-Huwadi, was imitative of the lanky Iranian scorer, Ali Daei. The role of the Iranian playmaker Khodadad Azizi was filled by Bashar Abdulaziz, a teenager who is reportedly considering a modest offer to sign with Manchester United. His father, who is handling negotiations for him, was held by the invading Iraqis against his will.

In the end zone of Portland's small Civic Stadium, the Kuwaiti fans — most of them students based in America — numbered almost as many as those Kuwaitis who remain unaccounted for.

"There are still 625 Kuwaiti POWs in Iraq," the sheikh said. "We were thinking to have our players wear T-shirts talking about our POWs, but FIFA will not allow the politics and the sport to be mixed."

The fans held up yellow

banners in the name of the missing and, at the same time, cheered the partnership of their liberation. This went on despite the methodical beating suffered by their players in the rain against the Americans.

The hosts learned little from their 2-0 victory, other than the most obvious lesson — that they still have a problem scoring goals. Neither side was able to invent the passion and panic that will accompany the match between the United States and Iran on June 21 in Lyon.

The Americans will be favored to win that meeting with the long-odds hope of joining Germany or Yugoslavia as one of the two countries to advance from their four-team group.

As preparations go, this friendly was more of a celebration unto itself, a group photo snapped on the run. Bashar and his Kuwaitis were unable to threaten the Americans, but from his team's point of view, it wasn't whether they won or lost or even how they played that mattered.

All they cared about was that they played at all.

Ian Thomsen is a senior writer at Sports Illustrated magazine.

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DAVE BARRY

## 'Titanic II: The Sequel'

MIAMI—I finally finished the script for the sequel to the movie "Titanic." I am calling it—"Titanic II: The Sequel."

I have been working on this script, without sleeping or eating, except for two grilled-cheese sandwiches, for the better part of the last 35 minutes. I realize that sounds like a lot of work, but bear in mind that writer/director James Cameron spent nearly twice that long on the script for the original movie, which was entitled "Titanic I, the Original Movie."

As you know, "Titanic I" garnered a record 56 Academy Awards, including Best Major Motion Picture Lasting Longer Than Both O.J. Trials Combined; Most Total Water; Most Realistic Scene of Bodies Falling Off the End of a Sinking Ship and Landing on Big Ship Parts With a Dull Clanking Sound; and Most Academy Awards Garnered.

The movie has made a huge star out of Leonardo DiCaprio, who has shown the world that he is not just a pretty face; he is a pretty face who, if he had been in my high school, would have spent a lot of time being held upside-down over the toilet by larger boys.

The phenomenal success of "Titanic I" has also served as an elegant rebuttal to Cameron's critics. Cameron was especially angry at the Los Angeles Times film critic Kenneth Turan, who said Cameron's writing was trite and devoid of subtlety. I certainly don't want to take sides in this issue, other than to say that James Cameron is easily the most talented human being in world history. I say this out of a sincere desire to have Mr. Cameron pay a hefty sum for my script. Here it is:

(The movie opens with the Titanic II, getting ready to sail. As the ship's horn blasts a mighty departure toot, up runs spunky young Jack Dawson, played by Leonardo DiCaprio. There is seaweed on him.)

JACK: Whew! I just made it!

ROSE: Jack! I thought you had drowned! To death!

JACK: No! Fortunately, the bitter North Atlantic cold was unable to penetrate my protective layer of hair gel!

ROSE: I'm Rose! Remember? You gave your life for me in "Titanic I."

JACK: But Rose was played by Kate Winslet!

ROSE: She didn't want to be in another movie with you, because your cheekbones are so much higher! So the part went to me, Demi Moore!

(The scene shifts to the ship's bridge.)

CAPTAIN: Ahooy, First Mate! Commence starboard computer animation! Full speed ahead!

FIRST MATE: Sir! We're getting reports of gigantic icebergs directly ahead! Shouldn't we go slow?

CAPTAIN: Don't be silly! What are the chances that we're going to hit another ...

(There is a loud crunching sound. Big pieces of ice come through the window, along with several penguins.)

CAPTAIN: Dang!

FIRST MATE: Sir! The computerized sinking animation has commenced!

(The scene shifts to the Poop Deck, where the water is rising fast. Jack and Rose are helping women and children into a lifeboat, when an evil villain appears with a gun.)

VILLAIN: Out of the way! I'm taking this lifeboat all for myself!

JACK: It's Kenneth Turan, film critic for the Los Angeles Times!

TURAN: That's right, and I shall stop at nothing to get off this ship, because the dialogue is terrible!

JACK: Is not!

TURAN: Is too!

(They commence fighting. Turan, by cheating, gains the upper hand.)

TURAN: I have gained the upper hand! And now, pretty boy, I'm going to ... OHMIGOD! NOOO!

(Turan is torn into raisin-sized pieces by an irate horde of young female Leonardo DiCaprio fans.)

JACK: Whew! That was close! Uh-oh! The ship is almost done sinking!

(As the two lovers start to slip beneath the icy cold computerized waves, they embrace. There is a cracking sound.)

JACK: You broke my ribs!

ROSE: Sorry! I have tremendous upper-body strength since starring in "G.I. Jane!"

JACK: Don't worry! As long as my cheekbones are O.K.!

(The water slowly closes over them. In the distance, we hear two crew members on a lifeboat, looking for survivors.)

FIRST CREW MEMBER: What's that sound over there?

SECOND CREW MEMBER: It sounds like ... Oh my God! It's Celine Dion!

FIRST CREW MEMBER: Let's get out of here!

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By Sharon Waxman  
Washington Post Service

ENCINO, California — Brynn Hartman called her friend Andrea Diamond two days ago. She wanted to talk about something, she said, and set up a play date for their daughters for Thursday. "I figured I'd come over and we'd complain about our husbands," the friend said with a sigh.

The play date never happened. When police officers found the comedian Phil Hartman at 6:45 Thursday morning, he was dead in his bed, from a gunshot wound. His wife, Brynn, had shot and killed herself in the same room as the police came through the open front door. A murder-suicide, they said. The Hartmans' two terrified children, Sean, 9, and Birgen, 6, were whisked from the gated, sprawling home in a wealthy enclave of this Los Angeles suburb.

Even by the standards of Hollywood's stranger-than-fiction reality, this was beyond disturbing. Shocked friends and colleagues were left shaking their heads. "They'd had a lot of ups and downs. He was working a lot. She wasn't happy," said Diamond. She and other friends rushed to the house when they heard the news, but no one seemed able to comprehend what had happened.

"He was exceedingly happy and was looking forward to getting back to work on 'NewsRadio,'" said a close friend who spoke to Hartman on Wednesday. "He had just bought himself a new boat."

If the Hartmans had their difficulties—spending time apart as the actor pursued his career and hobbies, including his private airplane, motorcycle and sports car—no one expected the tragic outcome.

"She left me a really happy message on my answering machine yesterday," said Susan Kaplow, a longtime friend of the 40-year-old former model who was Hartman's third wife. "She was an amazing friend. An amazing mother."

Diamond added: "Something

must have made her crazy for her to do this. Why would she do this? I don't know why she would do this."

Hartman, 49, the chameleon-like actor with the anchorman baritone whose savage impersonations of President Bill Clinton, Jesus and Barbara Bush delighted viewers of "Saturday Night Live" for eight seasons, was at the peak of his career. His critically praised series "NewsRadio" had just been renewed for the fall by NBC. He did regular voice-overs as a series of satirically smarmy characters on "The Simpsons" cartoon show, and he was a central character in the upcoming summer film "Small Soldiers."

Hollywood, accustomed to tales of the offbeat and unusual, was left reeling. Steve Guttenberg, an actor who started out with Hartman in a Los Angeles comedy group called the Groundlings, expressed shock and confusion. "It doesn't make sense. He was wonderful, invigorating," he said, fumbling before television cameras. "It's bizarre."

Jon Lovitz and Dennis Miller, two other comedians, were distraught and weeping as the news came across their television screens, said a friend of both. Friends such as the "Tonight Show" host Jay Leno and the "Simpsons" creator Matt Groening were dumbfounded.

Hartman, a deadpan comic with blandly handsome, malleable looks, was the latest alumnus of the "Saturday Night Live" cast to die tragically. His former colleague Chris Farley died of a drug overdose in December at age 33. John Belushi, the hard-driving, oft-depressed comic, also died of an overdose in 1982 at age 33. Gilda Radner, a member of the show's original cast, died of ovarian cancer in 1989 at 42. Michael O'Donoghue, one of the show's original writers and the creator of some of its funniest black comedy sketches, died in 1994 of a stroke at age 54.

But unlike Farley and Belushi,



The comedian Phil Hartman and his wife, Brynn, in 1992.

Hartman was not especially known as a tortured comic soul, and he was both widely admired and liked in the entertainment community. Flush with professional success, he was working constantly and earning more than ever. In addition to his work on "NewsRadio," Hartman had landed roles in such movies as "Sgt. Bilko" and "Houseguest" and had become a well-paid spokesman for such products as Slice soft drinks, Pontiac cars and a California bank.

The comedian came late to his acting career. Born in Canada, Hartman was raised in Connecticut and Southern California, where he studied to be a graphic designer. He created rock album covers—in-

cluding the logo for the group Crosby, Stills and Nash—but took a chance on improvisational comedy when he joined the Groundlings in the mid-1970s. He began writing material for Paul Reubens, helping to develop the Pee-wee Herman character.

His comedy career took off in 1986 when he landed a slot in the cast of "Saturday Night Live," becoming a key part of the show's renaissance as a hotbed of comic talent in the late 1980s and early '90s. His dead-on impersonations of a perplexed Clinton, an aging Ronald Reagan, a hard-charging Frank Sinatra and a foolish Ed McMahon were among the highlights of the show.

The producer of "Saturday Night Live," Lorne Michaels, said "He used to call himself 'The Glue'—that was his name for himself at 'Saturday Night Live.' The thing was he held the show together because of his enormous versatility."

On "NewsRadio," which has been on the air since 1995, Hartman played an egotistical, manipulative radio anchor. Friends said the actor had been looking forward to resuming production in July. Plans for the show are now up in the air, according to executives at the production company, Brillstein-Grey.

But the success of Hartman's career may have contributed to strains in his marriage, friends said. Diamond said: "He was very good at what he did. That's why a lot of marriages don't work out, but they were together for quite some time. That's why so many people are shocked; they hung in there." Other friends said that the Hartmans' marriage had its rough moments, pointing to alleged infidelities. "He adored her," Diamond said, however. "I'd catch him looking at her across the room—you could tell by the way he looked at her. Whether he knew how to treat her the right way, I don't know."

A police spokesman, Lieutenant Anthony Alba, said that the authorities responded to a call from neighbors who reported gunshots at 6:20 A.M. Officers found the front door ajar, with Sean in the front room. They removed him from the house and were about to get his sister, Birgen, when they heard shots coming from a master bedroom toward the back of the house.

"At this point, it is known for sure that she died of a self-inflicted gunshot wound," Alba told a news conference. He said he was "unaware" of any previous police visits to the house, on a stately quiet street just off the main commercial strip in Encino.

Said Diamond: "They had something everybody dreams of—and look what happens."

## PEOPLE

HAVE you heard the one about Tony Blair's mother-in-law and the Spanish prime minister? Or how Blair hung up on the queen? The British prime minister had an audience in fits of laughter with tales of his political life in a television chat show. Blair told how he had sent his family, including his mother-in-law, ahead to Spain for an Easter break with Prime Minister Jose Maria Aznar while he was detained by peace talks in Northern Ireland. When he finally arrived he told Aznar he feared they would not have enough time for talks. "Don't worry about all that," Aznar told him. "I've spoken to your mother-in-law and we've sorted all that out." Blair also told how Queen Elizabeth had called him on his mobile telephone when he was on a plane about to take off. The moment Blair answered, the pilot ordered him to switch his phone off. "I don't care who it is, mate," Blair was told. "Rules are rules."

Mayor Wellington Webb's flair at organizing a summit meeting of world leaders in Denver last summer has earned him a national honor—from France. President Jacques Chirac has designated Webb as a recipient of the Chevalier of the Legion of Honor, a spokesman for the mayor said. Webb will receive the honor in a ceremony in Denver.

The actor Charlie Sheen was ordered to wear an electronic monitoring device and stay at drug treatment centers until a hearing July 1 on charges he violated probation by engaging in

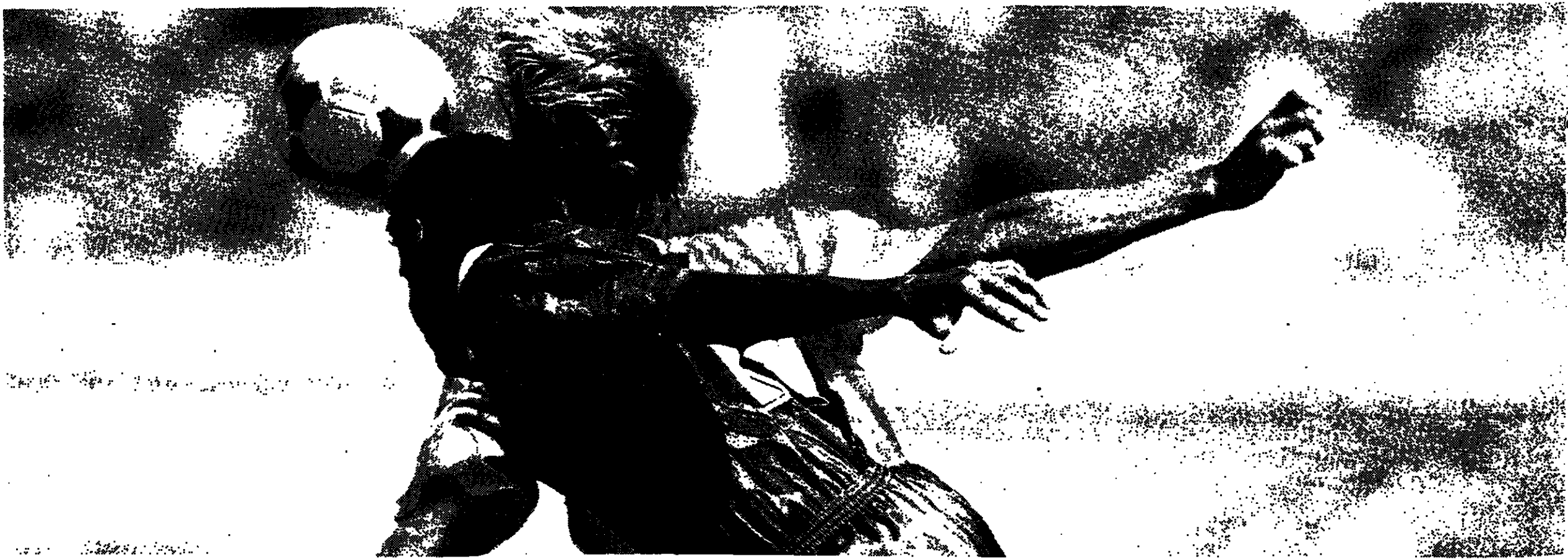
drug activity. His father, Martin Sheen, asked prosecutors to file the violation, which is connected to a battery conviction last year, and to issue an arrest warrant for his son, said the district attorney's office in Malibu, California. Charlie Sheen, 32, looking thin and pale, showed up in court accompanied by his father and the actors Sean Penn and Mira Sorvino. Two years ago, Sheen said he had given up alcohol and drugs. But last week he was hospitalized after a reported overdose.

The Spice Girls are sticking to their story that Ginger Spice is battling a bug. But the rumor mill cranked up Friday over the Spice Girls' future after Geri Halliwell failed to perform with the group for a second straight night. A spokeswoman said Halliwell's absence was caused by a stomach bug. But The Sun, a British tabloid, reported that the singer had walked out after a "blazing row," and possibly for good. The Spice Girls performed Thursday in Oslo as a quartet, and also appeared without Halliwell on British television on Wednesday. They are scheduled to head for the United States in June for a 40-city tour.

The son of a former U.S. senator, George McGovern, is heading to jail for violating his probation. Steven McGovern, 45, had received a six-month suspended sentence for beating his former fiancée. He pleaded guilty on Wednesday to beating and kicking her again. His lawyer said his client was working hard to control his "problem," which he blamed on alcoholism.



CHAMP — Jody-Anne Maxwell, 12, of Jamaica after winning the 71st National Spelling Bee in Washington. She triumphed by correctly spelling "chiaroscuro."



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